

WEEK

Fifty cents

The jet age comes to company planes

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A new kind of career woman-

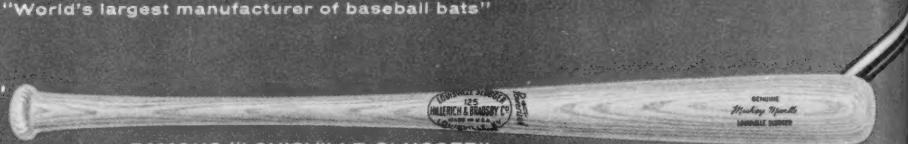
Where does she fit in business?

Labor

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Business Week
is published weekly
by McGraw-Hill
Publishing Co., Inc.,
330 W. 42nd St.,
N.Y. 36, N.Y.
Second class
postage paid at
N.Y. 1, N.Y.,
and at additional
mailing offices.
Subscription
\$6 a year in U.S.A.
Canadian and foreign
rates on request.

Number 1675

BW

Figures of the week



BUSINESS WEEK index chart

Production

	1953-55 average	Year ago	Month ago	Week ago	§ Latest Week
Steel ingot [thous. of tons].....	2,032	1,558	2,030	2,114r	2,131
Automobiles.....	125,553	134,118	90,983	73,034r	107,240
Engineering const. awards [Eng. News-Rec. 4-wk. daily av. in thous.]....	\$52,412	\$75,166	\$64,065	\$71,247	\$75,842
Electric power [millions of kilowatt-hours].....	10,819	14,161	16,214	15,025	15,340
Crude oil and condensate [daily av., thous. of bbl.].....	6,536	6,849	7,051	7,145	7,156
Bituminous coal [daily av., thous. of tons].....	1,455	1,391	1,349	1,462r	1,443
Paperboard [tons].....	247,488	324,667	337,806	350,512	349,991

Trade

Carloadings: miscellaneous and l.c.l. [daily av., thous. of cars].....	70	58	55	54	56
Carloadings: all others [daily av., thous. of cars].....	47	45	44	45	45
Department store sales index [1947-49=100, not seasonally adjusted]..	121	148	152	150	154
Business failures [Dun & Bradstreet, number].....	198	304	321	337	286

Prices

Industrial raw materials, daily index [BLS, 1947-49=100].....	89.2	89.6	92.2	91.6	91.7
Foodstuffs, daily index [BLS, 1947-49=100].....	90.5	75.5	75.5	73.8	72.9
Print cloth [spot and nearby, yd.].....	19.8¢	18.9¢	17.8¢	17.8¢	17.8¢
Finished steel, index [BLS, 1947-49=100].....	143.9	186.2	185.5	185.4	185.4
Scrap steel composite [Iron Age, ton].....	\$36.10	\$29.83	\$39.17	\$39.50	\$39.17
Copper [electrolytic, delivered price, E&MJ, lb.].....	32.394¢	32.870¢	31.000¢	31.000¢	31.000¢
Aluminum, primary pig [U. S. del., E&MJ, lb.].....	20.6¢	26.0¢	26.0¢	24.8¢	24.0¢
Aluminum, secondary alloy #380, 1% zinc [U. S. del., E&MJ, lb.].....	††	23.67	N.A.	N.A.	N.A.
Wheat [No. 2, hard and dark hard winter, Kansas City bu.].....	\$2.34	\$1.99	\$2.05	\$2.07	\$2.09
Cotton, daily price [middling, 1 in., 14 designated markets, lb.].....	34.57¢	30.31¢	33.22¢	33.47¢	33.51¢
Wool tops [Boston, lb.].....	\$1.96	\$1.64	\$1.78	\$1.81	\$1.80

Finance

500 stocks composite, price index [S&P's, 1941-43=10].....	31.64	53.18	68.17	66.35	66.80
Medium grade corporate bond yield [Baa issue, Moody's].....	3.59%	5.08%	5.12%	5.12%	5.12%
Prime commercial paper, 4 to 6 months, N. Y. City [prevailing rate].....	2-2½%	3½%	3%	3%	3%

Banking Millions of dollars

Demand deposits adjusted, reporting member banks.....	††	59,441	61,904	62,720	62,144
Total loans and investments, reporting member banks.....	††	107,534	114,301	115,920	117,142
Commercial, industrial and agricultural loans, reporting member banks..	††	32,823	32,588	33,082	33,051
U. S. gov't guaranteed obligations held, reporting member banks.....	††	28,180	33,464	33,181	34,469
Total federal reserve credit outstanding.....	26,424	28,059	28,447	29,251	28,986
Gold stock.....	21,879	18,685	17,452	17,451	17,377

Monthly figures of the week

		1953-55 average	Year ago	Month ago	Latest Month
Private expenditures for new construction [in millions].....	September..	\$2,390	\$3,524	\$3,714	\$3,714
Public expenditures for new construction [in millions].....	September..	\$980	\$1,644	\$1,674	\$1,718
Employment [in millions].....	September..	62.2	67.8	68.5	67.0
Unemployment [in millions].....	September..	2.5	3.4	4.5	4.1
Consumer credit outstanding [in billions].....	August..	\$34.1	\$54.1	\$54.7	\$54.9
Installment credit outstanding [in billions].....	August..	\$24.2	\$42.4	\$42.5	\$42.6
Manufacturers' inventories [seasonally adjusted, in billions].....	August..	\$45.2	\$55.0	\$53.6	\$54.0

* Preliminary, week ended September 30, 1961.

†† Not available. Series revised.

r Revised.

§ Date for 'Latest Week' on each series on request.

NA Not available at press time.

The Pictures: Cover, Bud Blake, 32, Joan Sydlow; 35, Herb Kratoch; 36, 37, Mike Shea; 51, Pictorial Parade; 54, (lt.) Chamber of Commerce of the United States, (rt.) Swedish Chamber of Commerce of the USA; 62, 63, John Coneen; 66, Carl Byoir & Associates; 76, 79, Syd Landi; 80, 81, 82, Shel Hershorn; 86, Milwaukee Road News Bureau; 92, 93, 97, Bud Blake; 106, Webb & Knapp, Inc.; 112, 113, Tibor Hirsch; 121, Gene Pyle; 145, Grant Compton; 166, Houston Chronicle; 167, 168, 170, Stan Begam.

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BUSINESS WEEK, October 7, 1961

NUMBER 1675

Published weekly by McGraw-Hill Publishing Company, Inc. Founder: James H. McGraw [1860-1948].

Subscriptions: Available only by paid subscription. Publisher reserves the right to refuse non-qualified subscriptions. Subscriptions to Business Week solicited only from management men in business and industry. Position and company connection must be indicated on subscription orders forwarded to address shown below. U.S. subscription rate for individuals in the field of the publication \$6 per year; single copies 50c. Canadian and foreign rates on request.

Executive, Editorial, Circulation and Advertising Offices: McGraw-Hill Building, 330 West 42nd Street, New York 36, N. Y. Telephone: Longacre 4-3000. Teletype: TWX N.Y. 1-1636. Cable address: MCGRAW HILL, N.Y.

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BUSINESS WEEK October 7, 1961

READERS REPORT

Parkinson's Law

Dear Sir:

Your article, "Western Europe has the edge" [BW Sep.23'61,p50] was most succinct and informative.

One point the NICB survey seems to have overlooked is that foreign staffs, both operating and administrative, are generally much less "fat" than their American counterparts which have grown through long prosperity and Parkinson's Law to needlessly cumbersome proportions.

This factor is seldom mentioned in American business circles except by a few who are concerned about American productivity compared to the rest of the world.

Henry Schindall

President

Henry Schindall Associates, Inc.
New York, N. Y.

Counting heads

Dear Sir:

Your Washington Outlook [BW Sep.16'61,p41] makes for interesting reading.

You state the facts of the anti-business attitude of the current Administration without stating the why.

The anti-business reputation is justified; one needs only to read the views of the members of the ADA on business control and then count the ADA members in the current Administration to become alarmed.

Robert E. Helsing

Fullerton, Calif.

What concerns Americans?

Dear Sir:

Reading "Readers Report," it strikes me that there always seems to be a number of readers willing to go to the trouble to correct you in one way or other.

It looks to be frightfully important that this or that building is a few feet higher, larger, or wider, or that a plant is located a few miles east or north from somewhere else.

The real issues of vital questions, however, do not find such a response. I wonder if this indicates the order of importance for Americans?

Karl Haselsteiner

Hoquiam, Wash.

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Economizes on everything except comfort!

Introduce yourself to Plymouth for '62. Step right up and discover the beautiful difference in economy, engineering excellence, reliability you've come to expect from Chrysler Corporation—everything that counts for low operating and maintenance costs. For example, Plymouth now delivers up to 8% better mileage on regular grade fuel than last year's car.

But gas economy isn't the only way fleet owners save in the '62 Plymouth! Plymouth's new self-adjusting brakes, 32,000-mile lubrication cycle on major chassis points and half-as-often oil change system cannot help but trim expenses. Even the battery-saving alternator has been improved. New full-unit construction is stronger, sturdier.

And that's just the first chapter—there's much more to the Plymouth Fleet story: Improved Torsion-Aire suspension and new shock absorbers for smoother ride. New center-of-balance for steadier

steering, superior stability and easier all-around handling. Increased comfort. Good-looking, long-lasting interiors. New quality inside, outside—everywhere you can see or touch. **LOOK AT PLYMOUTH NOW!** See your Plymouth dealer this week sure!

'62 Plymouth Puts Economy First

Up to 8% better gas mileage than last year • New full-unit construction for long life and low maintenance • 13-step dip-and-soak process for lasting body protection • New 32,000-mile lubrication cycle on major chassis points • Self-adjusting brakes • New half-as-often oil change system

THE NEW PLYMOUTH

Quality-engineered by Chrysler Corporation

Business outlook

BW

October 7, 1961

Job prospects continue to show improvement

Employment conditions will be much less of a problem for economists—and politicians—for a good many months to come.

Good omens began showing up during the summer [BW Aug. 19'61, p27]. Now they have been rather conclusively confirmed by both the August and September reports on labor market conditions.

Even though unemployment remains a disagreeably high percentage of the labor force, it is safe to predict real improvement.

Nonfarm employment has been higher, in each of the last four months, than it ever was before in those months.

And, even though the drop from August to September was larger than usual, this can partly be blamed on the weather. The count was taken during the week that Hurricane Carla was drenching even those areas of the country that didn't feel her winds.

The brunt was borne by farm areas with agricultural employment down half a million more than would normally be expected. But it was reflected in nonfarm employment, too, though jobs totaled close to 61.4-million.

Labor force drop magnifies jobless

Unemployment last month fell to the lowest figure in nearly a year. At 4,085,000, it was nearly half a million below the August total.

At the same time, the number of people working or looking for jobs took one of its unaccountable swings; the labor force shrank by nearly 2-million between August and September. A big decline is natural as schools reopen, and the armed services scooped up a substantial number of men. Yet the magnitude of the drop is just a mite baffling.

Coincidentally, bear in mind that the smaller labor force magnifies unemployment as a percentage. The 6.8% figure, off only one-tenth from August, may not be so meaningful as it otherwise would be.

Internal characteristics of the unemployment figures seemed to encourage the Labor Dept. more than at any time in a good while.

The department's manpower chief, Seymour Wolfbein, points out that:

Long-term unemployment—15 weeks or more—fell by 200,000 in September to a figure of 1.3-million; best of all, three-quarters of that decline was among those out of work at least half a year.

The unemployment rate among adult males dipped from 6.1% to 5.7%.

Those who were working part time involuntarily numbered only 2½-million, 600,000 fewer than the month before. Their number, in fact, was about 100,000 smaller than a year before.

Auto strikes hold back hiring in other lines

Job opportunities would have been more numerous during September except for labor trouble in the auto industry.

The Census Bureau counts a striker as employed unless he says he doesn't expect to get his job back—that he is out of work and looking for another job.

Yet the side effects of hampered production have been reflected widely. And they are not confined to new cars. They involve trucks, as you saw this week when Eaton Manufacturing temporarily cut axle output.

Business outlook Continued

Steel's creeping rise continues with little enough real help from cars and trucks. And the fact that output is no higher than it is doubtless is one reason there haven't been even selective price boosts.

But you can bank on one thing: Steel isn't getting any cheaper.

Listen to the buzz among steelmen and steel buyers, and you'll find the reason: The warehouses, which had been chipping away at the price fringes for months, are beginning to restore those cuts.

Thus the small-lot buyer is, or soon will be, paying more.

Hardgoods plants buy more raw materials, parts

Inventories held by producers of durable goods still are declining in relation to output. But the dollar totals have turned up.

The turn came in June, if you use the seasonally adjusted figures prepared by the Commerce Dept.; by August, the rise amounted to about \$800-million carrying the figure to the highest level so far this year.

Quite possibly, however, it is more realistic to use unadjusted figures (for, when manufacturers want to cut or boost stocks, the process goes on regardless of normal seasonal tendencies). Off these figures, the rising trend didn't really become visible until August.

One reason the rise in inventories for hardgoods factories has been slow in appearing is found in the internal characteristics of stocks.

If that sounds mysterious, consider that factories can sell stuff out of warehouses even as they build stocks of purchased materials and parts and of work in process. That usually goes on during the early stages of a cyclical upturn, and it has been happening this time.

Washington sees rosy prospects for construction

If you're in a betting mood when it comes to picking winners in the American economy, put some money on construction. A fine performer throughout the recession, it's sure to be among the front-runners for the next year or two—and probably longer.

In fact, if long-range forecasts are your dish, note that Commerce Dept. crystal gazers recently pegged construction industry volume at a mouth-watering \$100-billion (in 1960 dollars) by 1975.

For the immediate future, Commerce sees construction activity at close to \$60-billion in 1962—4% better than this year, which has been mighty good in its own right.

Ever since February the dollar volume of work-put-in-place has climbed steadily. And in the month just ended it scaled a new peak, moving up to an annual rate of \$58.4-billion, seasonally adjusted.

That scuttled the previous record of \$58.2-billion, set 27 months ago.

Unlike previous construction booms, this one has not been buttressed by a rapid rate of homebuilding.

New home construction now is posting dollar gains, after allowance for strictly seasonal improvement—but the pace remains substantially below the old highs. What's more, no one seriously expects much more from this quarter for the next few years.

The real impetus comes from the high rate of commercial and utilities construction in the private sector, plus vigorous activity on highways, office and school buildings, earthwork, and sewage systems in public works.

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Kennedy's next moves

Defeats in foreign affairs and in Congress have taken a good deal of steam out of the New Frontier—and left the Administration in a cautious, more sober and realistic mood

The windup of the first session of the 87th Congress leaves Pres. Kennedy's Administration in a sober mood. Publicly, the White House is claiming a smashing success (table, page 30). Privately, Kennedy and his advisers are somewhat shaken, dissatisfied, and dourly determined to make a more impressive showing in the future.

The first whirl of enthusiasm that enveloped Kennedy and his official family has been dissipated. Kennedy himself proclaims that his problems are tougher than he ever realized before he took over the office; his Harvard eggheads say the same thing.

The hard lessons have been learned on foreign affairs—the Communist drive for world supremacy will be with us for many years, even when we get by the Berlin crisis.

I. Building an image

The new Administration's record hasn't yet produced the kind of rapport with Congress or the public that Kennedy would like. There are no signs yet that Democratic candidates facing the voters next fall feel they can ride into office on Kennedy's coattails. There are no signs that Republican congressmen will go easy on criticizing the President.

In fact, the manner in which the Democrat-controlled Congress completed its dragged-out session was dismal. At the end, congressmen hacked away at foreign aid appropriations, and struck a mild blow against Treasury borrowing for some other programs.

Leading Republican spokesmen including the politically potent voice of Dwight Eisenhower are needling Kennedy on his foreign policy leadership, reminding the public about the failures in Laos and Cuba.

And dedicated Democratic liberals—as represented by the Americans for Democratic Action—are hammering at Kennedy for his "callous expediency" in dealing with Congress on foreign aid, a balanced budget, aid to education, civil rights, and other welfare programs.

A victory needed. Top strategists of both parties know that Laos and Cuba have hurt Kennedy. Unlike Eisenhower, Kennedy has to make a record that shows he is fully qualified for the job he now holds. He needs a victory, and Berlin is where he has to win it.

There's no doubt that the enthusiasm of the campaign's "New Frontier" is gone. From here on out, the idea that over-all strategy can encompass every program will be discarded. Instead, the Administration's strategists see themselves taking on legislative issues as they come along, winning some, losing some, compromising on others.

Middle road. Kennedy and his aides figure that this approach is what it takes to win the broad political center, that swath down the middle that spells success in a Presidential election. This is the center that Eisenhower commanded so convincingly in 1952 and 1956.

But Kennedy's crew knows that he has not yet won any such allegiance, despite the polls that show the support he is getting from a vast percentage of the public. It is axiomatic that the public rallies to a President facing up to a foreign adversary.

So for the foreseeable future, Kennedy's aides are nurturing the image they want the voters to see—a vigorous, alert, yet cautious President, coping with the major crises that awaited him when he took office.

Kennedy's relations with Congress

next year will be colored by his dealing with Khrushchev this fall. If a satisfactory Berlin settlement is reached, without loss of stature or prestige, then Kennedy's political stock will soar and his influence on Congress will strengthen. But a settlement that connotes weakness or vacillation will have widespread ramifications.

II. Demands on Congress

Kennedy's demands on Congress next year will be many and varied, but can be quite clearly defined.

The fact that rising prosperity seems fairly certain to hold through next fall takes a big worry off his back. Kennedy has been lucky. He held out against an anti-recession tax cut, and his caution paid off. The upturn came in good time, and its breadth and solidity are likely to insulate him from attack on this score at least through the 1962 elections.

But other problems with Congress will be hard to handle, particularly in the intransigent House of Representatives, which turned out to be his hair shirt.

Crucial issues. Perhaps the most politically crucial bits of legislation to come up next year are medical care for the aged, and the reciprocal trade law. Both must originate in the House; both in the prideful Ways & Means Committee, which refused in the first session to vote out Kennedy's tax revision program. This tax bill is the first item on the committee's 1961 agenda.

On health care for the aged, the committee held two weeks of hearings earlier this summer, but no groundswell of approval was heard. Opposition is organized, articulate, and well-financed. The Administration expects to have a fight on its

Here's what Congress gave Kennedy

Welfare measures

Minimum wage: Boosted to \$1.25 by 1963, covers more than 3-million additional workers.

Unemployment compensation: Temporary extension of benefits totaling around \$750-million.

Housing: Huge four-year expansion of federal aid to individual home construction, special housing for elderly, slum clearance and urban renewal, modernization of existing homes—plus new funds for college housing, community facilities. Cost: \$4-billion to \$9-billion.

Depressed areas: New \$394-million program to help areas of chronic unemployment.

Juvenile delinquency: \$2.5-million authorized each year for three years for projects, studies.

Social Security: Retirement for men lowered to 62 at reduced payments; minimum monthly payment raised to \$40; widows' benefits increased.

Military/space programs

Military buildup: Congress gave President all he asked, and \$700-million more than he asked for bombers. Defense spending is rising from last fiscal year's \$43.2-billion to \$46.6-billion.

Space buildup: Maximum effort—totaling perhaps \$40-billion in next few years—to beat Soviets.

Foreign affairs

Foreign aid: Kennedy won partial victory on multi-billion-dollar program with authority to commit U.S. to \$7.2-billion in long-term development loans over five years. Opponents of "back-door" spending showed their strength over compromise between House figure of \$3.6-billion for current year and Senate's \$4.2-billion.

Peace Corps: Got Congressional O.K. at end of session.

Latin American aid: \$500-million appropriated for social and economic aid programs, plus \$100-million to help Chile recover from earthquake.

Disarmament: New permanent agency approved by Congress to work on disarmament problems.

Business issues

Taxes: Kept 52% corporate rate, Korean excises.

Highways: Kept pay-as-you-go on \$41-billion interstate highway construction program by retaining federal gas tax at 4¢, raising taxes on truckers and other users by \$9.6-billion.

Farm: Broad all-purpose program submitted by Freeman vetoed by Congress. Higher supports, tighter controls approved for feed grains.

Water resources: Grants for sewage plant construction boosted to \$100-million in three years. Fresh-water-from-salt-water program raised to \$75-million a year for five years.

Big issues looming next year

Foreign policy

Reciprocal trade extension: A crucial issue with protectionist sentiment rising, while balance-of-payments demands lower trade barriers. Administration will back subsidies for industries hurt by imports.

Gold reserve: New pressures on balance of payments to bolster Administration's half-hearted move this year to gain clear legal freedom to use all U.S. gold to ward off pressure on the dollar.

Business issues

Tax credit: \$1.1-billion incentive to modernize equipment will be insisted on—along with dividend and interest withholding, new taxes on S&L associations, expense account tightening, other revenue raisers. Outcome uncertain.

Tax reform: Big package of recommendations closing loopholes and lowering individual tax rates scheduled for mid-1962.

Depreciation reform: Treasury report and recommendations still scheduled for early next year.

Contract renegotiation: Are "excess profits" possible any more on Pentagon business? Experts say no, politicians fear to let program die.

Antitrust: Good chance for proposal giving Justice Dept. power to subpoena company documents without convening grand jury as required now.

Du Pont stockholders: Chances good for approval of stock divestiture relief bill to limit tax burden involved in distributing GM stock.

Transportation policy: Administration will recommend new coordinated national transportation policy. Likely issues next year: crackdown on unregulated and illegal truckers, subsidies for commuter and intercity railroad passenger traffic, grants to help cities meet transit needs.

Stock market: New SEC investigation will propose new and tighter rules on stock transactions.

Welfare issues

Health care for aged: Financing hospital service, nursing care from new social security taxes.

Unemployment compensation: Extensive revamping of law with federal minimums to be advanced to replace temporary expansion voted this year.

School aid: This year's failure to win federal grants to schools raises doubts over success of next year's efforts.

Worker retraining: Republicans will back programs for retraining workers displaced by automation.

Urban Affairs Dept.: Looks like an election year certainty. Effect is to raise housing agency to Cabinet status.

Civil rights: Election year pressures certain to bring new legislation.

hands, and is planning to hold "seminars" around the country to drum up public support.

On reciprocal trade, the issue is even rougher. The balance-of-payments problem has dramatized the fact that the Europeans (and Japan) have achieved hard currencies and competitive economic systems that are meeting and beating the U.S. in the field where the U.S. has been supreme—mass production of goods at prices that are hard to match.

This foreign competition in the U.S. market has stimulated a rising tide of protectionism, particularly in the newly industrialized South. The result is that Kennedy can no longer count on "free trade" as one issue on which the Democratic Party, North and South, is solidly united. On other issues, Congress will be picking up again legislation that hangs over from this year.

Back-door spending. Take so-called back-door spending, which caused a wrangle that sent Congress home in ill-humor. House members who fought for an end to Treasury borrowing to finance foreign aid, housing, and other programs had the last word. Their vehicle for a slick parliamentary maneuver was the multibillion-dollar supplemental appropriations bill. This included funds to administer such programs as area redevelopment, housing, mass transit, and the like.

The House sent to a Senate-House conference a bill that specifically refused any appropriations for the administration of public works programs financed by Treasury borrowing. The bill did include appropriated funds for these programs—although in lesser amounts than the agencies were authorized to take from the Treasury. Thus, the House sent to the conference a bill that allows the programs to be carried on, but only with moneys approved via the appropriations route.

Then the House adjourned.

This left the Senate conferees and the Senate itself no choice at all. They had to approve the bill as given them by the House, or these programs would be brought to a halt.

The beating Kennedy and his leaders took on this bill spotlights their difficulties with the House. Speaker Rayburn, who managed the early-in-the-session victory over the Rules Committee, was home in Bonham, Tex., for the last weeks of Congress, on doctor's orders. But even before he left, White House sources were talking about the unsatisfactory state of the House leadership. Even now, Kennedy's aides wonder how effective Rayburn may turn out to be, if he comes back next year.

Steel prices hold

The industry has sought to check rise of labor costs by taking a firm anti-inflation stance. Now it weighs the cost of throwing away that bargaining strength by a hike

Steel's latest employment cost increase—about 14¢ per hour—went into effect on schedule this week. Offsetting price increases failed to appear. More importantly, base price boosts on carbon steel products—if any—will be exceedingly few and small for the next year.

This industry position is taken less because of Pres. Kennedy's "hold-the-price-line" letter [BW Sep. 16 '61, p. 25] than in spite of it.

On the cost side, the industry has every reason to want to raise prices. This week's wage boost averaged 8.7¢ on the paycheck, by United Steelworkers calculations. It's the second wage boost under the contract that ended a 116-day strike Jan. 4, 1960. In all probability, there will be still another small addition. That, if it comes, will be the first cost-of-living adjustment since Jan. 1, 1959. This week it was hotly disputed between USW Pres. David J. McDonald and U.S. Steel's Heath Larry, administrative vice-president. The dispute arose from the unusually complicated settlement that tied the cost of living to the cost of steel's employee insurance program [BW Apr. 16 '60, p. 129]. As this shakes down, gossip is that the industry thinks 1¢-1½¢ may be available, and that USW would settle for 2¢.

In any case, McDonald made it plain early this week that a neutral actuary will have to join the USS and USW actuaries in calculating how much c-o-l, if any, steel must add to its hourly paychecks, retroactive to Oct. 1, whenever it's ascertained.

Stability. But the steel industry is not looking at present costs alone. It knows that its record on prices will be a factor when it starts bargaining on its new wage contract next year. Steel has held its prices steady since August, 1958, in a period when it was absorbing strike costs, months of low operation, rising employment costs, and heavy capital investment. In the 1959 settlement, it managed to check the rate of rise in total employment costs. However, after the 1960 settle-

ment, steel faced the fact that employment costs were still rising much more rapidly than productivity. It would have to slow the increase in employment costs by half in order to balance them with productivity the way productivity is rising.

One way to accomplish so drastic a cut in new contract costs was to carry an impeccable anti-inflation posture into negotiations—to hold the line on prices.

Thus far, this is exactly what steel has done. And now, the industry is over the hump. All its employment cost increases are behind it, and ahead lie three good quarters. Hence, the most critical price question today is whether steel can afford to give up the bargaining posture for 1962 that it has bought at so dear a price.

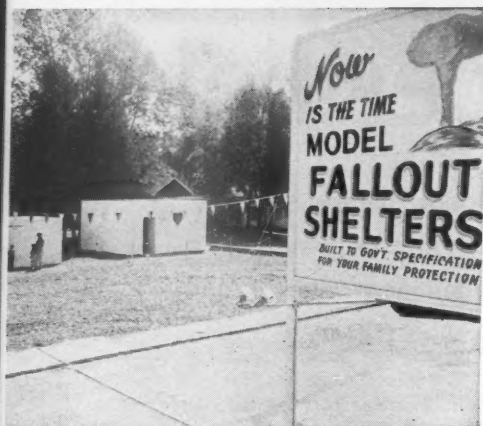
Auto boost. The quandary is merely intensified by the 36¢-over-three-years settlement that the United Auto Workers recently wrung out of General Motors. McDonald will want to equal or better that.

But for the steelmaker who figures that nine months more without price relief is too high a price for an anti-inflation bargaining posture next spring, the world offers cold comfort:

- Aluminum, a pesky competitor in several markets, is cutting prices.

- Offshore steelmakers are widening their advantage in the export-import balance. Exports ran 2-to-1 behind imports through July, and are heading for their third straight deficit year. Far more alarming than that is the rate at which Europe is bringing in capacity to make light, flat, and coated steels. These products furnish about 55% of our exports.

Ironically, it's exactly these products that would have to carry the main burden if U.S. steelmakers were to raise prices. Hence higher steel prices would merely redouble the invitation for Europe to invade this steel market—already the world's biggest and highest priced.



New Jersey dealer, Survival Equipment Corp., has had 3,000 lookers, 25 sales, since roadside display opened Sept. 15.

Shelters: lots of talk, a plodding business

Interest in fallout shelters is surging, but sales lag far behind talk; still, companies from steelmakers to swimming pool contractors are jumping in to build them

If the Berlin crisis and the Soviet resumption of atmospheric nuclear tests have done nothing else, they have made the construction of fallout shelters a topic of lively interest throughout the U.S. For the first time in the postwar period, Americans are taking the idea seriously.

In Toledo, for example, a Business Week reporter who made the rounds of clubs, community meetings, taverns, and offices found nuclear shelters the No. 1 topic of conversation. The Philadelphia civil defense office gets as many as 500 requests a day for information; in Atlanta, the office of the director of civil defense has been receiving up to 5,000 calls a week, 100 visitors a day.

Shelter exhibits, like the New Jersey roadside display pictured at the left, are springing up across the country. The J.L. Hudson Co. has put up a shelter and survival equipment display in its downtown Detroit department store. Kelsey-Hayes Co. estimates that 2,000 to 3,000 people saw its shelter at the Air Force Assn. show in Philadelphia. Dallas announces a four-day "fallout survival show" in December.

Delayed action. So far, though, comparatively little of the talk is being translated into action. Business Week reporters, asking questions in 20 cities, found that a few dealers are making sales, and unquestionably shelters are being installed in every section of the U.S. But no groundswell of orders has appeared. As yet, the number of shelters actually built can be counted, at most, in the thousands—though the Toledo civil defense director claims, optimistically, that "thousands of shelters" are being built in that city alone.

The number of building permits, shelter sales, and loan applications is slight. Atlanta, with its 5,000 information requests a week, reports that by the number of permits issued, not over 150 shelters have been built there this year. A Long

Island builder has sold 32 steel shelters. Boston banks report only a handful of requests for loans.

The biggest activity, of course, is in the suburbs. City dwellers, for the most part, can do little as individuals, and adopt a somewhat fatalistic attitude about what would happen if a nuclear bomb hit downtown. Suburban residents, occupying their own houses, feel a greater call to action.

Civil defense authorities feel, too, that the number of building permits issued for shelters doesn't reflect the actual number built. Many are building secretly—for fear of a rush of occupants in an emergency, of possible conflict with building codes or of tax difficulties, or even because they are embarrassed to admit they are doing it.

Budding industry. Yet the interest is widespread, and growing, and it's drawing an increasing number of businessmen into shelter building—ranging all the way from parts manufacturers and steel companies to homebuilders and swimming pool contractors, along with some fly-by-nighters trying to get in on a shoe-string.

Even in the Miami area—where a dealer complains that fallout shelters are the "most talked-about and least-sold item"—the number of companies approved for building shelters in Dade County has risen from six at the start of August to 24. And in relatively remote Denver, some 25 outfits, mostly general contractors, have gone into the business in the past two months.

What they offer. The shelters they offer vary in price from \$150 (quoted in Denver for converting a basement room) and \$350 (Atlanta price for a simple basement shelter) up to \$5,000 and even \$15,000 for deluxe models that might serve also as extra bedrooms or recreation rooms. Materials range from concrete blocks to steel, or even treated timber.

Detroit's Kelsey-Hayes Co. is of-



Inside underground unit (smaller one in top picture) Pres. Ernest Wefer demonstrates size, details stocks supplied.



Cost of underground unit is \$2,500; above-ground unit (big one in top picture) is \$3,500. Financing is problem.

tering a shelter—a basic 9 ft. by 9 ft.—designed to be set up by two men with a screwdriver and wrench. It's made of sheet metal walls and ceiling panels that are filled with earth or sand, and retails for \$700.

Lone Star Steel Co. is starting construction of all-steel shelter.

Lagging sales. Sales are another matter. A Boston homebuilder who sells homes with basement shelters has sold only one. Few dealers can report sales as impressive as E. L. Bruce Co., in New York, which says it sold more than 100 of its newly designed steel shelters in seven days.

The lag in sales is spurring deal-

ers and contractors to sell harder. A Milwaukee distributor is putting a family of five into an underground steel shelter for seven days, beginning next week. Because people have responded to hard sales pitches, Kansas City civil defense official C. A. Byers worries that some have bought "tombs" from dealers offering inadequate shelters.

California experience highlights two of the roadblocks in the way of a surge in sales—financing, and local building codes.

Bruce A. Bell, a shelter specialist for the Santa Rosa office of the Defense Dept.'s Office of Emergency

Planning, calls financing a major problem. "Mortgage people don't know if a shelter is going to be an eyesore, and affect resale," he says. And a shelter, costing \$1,500 to \$3,000, can add \$30 to \$40 a month to payments. Banks say they will lend money for a shelter, but many grant it only as a personal loan.

Another California CD official complains that some county building codes say "shelters must have so many windows in so many linear feet"—which would make them no longer shelters. Standardization will require a lot of give from local officials, manufacturers think.

Thorny issues await High Court

In the coming session, Supreme Court will make far-reaching decisions on a big backlog of cases involving antitrust, mergers, labor-management

The Supreme Court convened this week for a short ceremonial session, its first of the 1961 term, then settled down to dig into a backlog of more than 1,000 cases.

By the time the nine justices adjourn next summer, they may have blazed important new legal paths in vital areas. For the first time, for example, the court will have a chance to make far-reaching decisions on the legality of "sit-in" racial protests.

Antitrust. This session also could produce answers to questions of antitrust law and business regulation. The justices, for example, will have an opportunity to decide whether an obscure, but lately important, part of antitrust law is constitutional. This is a clause in the Robinson-Patman Act that makes it a crime for a company to sell goods at unreasonably low prices with the purpose of injuring competition.

Earlier this year, this clause became the center of bitter controversy when the Justice Dept. insisted that it be made a part of consent orders in the government's civil price-fixing cases against the electrical equipment industry. General Electric Co. balked at agreeing to this clause, and negotiations on these decrees are still in progress.

If the court should rule, as a federal district court did, that the "unreasonably low price" clause is so vague and indefinite as to be un-

constitutional, the Justice Dept. might be forced to back away from insisting on this clause in its GE decrees. At any rate, the district judge's language was sharp enough almost to compel the Supreme Court to take a look at this part of the Robinson-Patman Act. The Justice Dept. charged that National Dairy Products Corp. attempted to destroy competition in the Kansas City, Mo., area by selling milk below cost, and had alleged a violation of the "unreasonably low price" clause.

Mergers. The Clayton Act forbids any merger or acquisition in "any line of commerce in any section of the country," where the effect "may be substantially to lessen competition, or to tend to create a monopoly." This is broad language, and Congress left it up to the courts to figure out more precise definitions of what mergers are barred by the act. This session, the justices will have a chance to do some important defining.

In the Justice Dept.'s complaint that Brown Shoe Co., Inc.'s acquisition of G. R. Kinney Corp. violated the merger law, the court will be able to clarify, for example, what a "line of commerce" is. It will be able to decide if the lessening of competition in specific markets through the Brown-Kinney amalgamation constitutes a violation of the Clayton Act, even though Brown increased its share of the total shoe

market by less than 1% by acquiring Kinney, which has stores in many of the larger cities.

This is the first real test of a 1950 amendment to the Clayton Act, which broadened the antimerger provisions of the law.

One of the effective defenses against antimerger suits has been defined by the courts as the "failing company" doctrine. The justices now are being asked to take another look at the definition of a failing company, and the result could be some new guidelines. In this case, a district court ruled that a major safe manufacturer, Diebold, Inc., did not violate the Clayton Act by acquiring another principal safe maker, Herring-Hall-Marvin Safe Co., because H-H-M was approaching financial failure. The Justice Dept. asserts that H-H-M actually was improving its financial condition so the merger substantially lessened competition.

Prickly issue. One of the thorniest questions in the antitrust field is whether regulatory agencies can decide antitrust matters that are a part of broader questions before them. The Federal Power Commission, for example, gave permission to Pacific Northwest Pipeline Co. to abandon its assets and facilities so that El Paso Natural Gas Co. could acquire them. FPC's ruling that the merger was in the public interest is being attacked by the State of California

in a suit pending before the Supreme Court.

Related to this is the contention of Pan American World Airways, Inc., that its 50% ownership in Pan American-Grace Airways, Inc., could not be in violation of the antitrust laws, as charged by the Justice Dept., because the Civil Aeronautics Board had approved the arrangement.

Pan Am was ordered to get rid of its Panagra interest after the Justice Dept. claimed Pan Am and W. R. Grace & Co. had entered into an illegal agreement that would leave Pan Am's air routes between the U.S., the Canal Zone, and parts of South America free of competition. A lower court dismissed the charge against Panagra and Grace, but ordered Pan Am to divest itself of its Panagra interest. Pan Am is appealing this ruling to the court.

Directors' responsibilities. Another case under appeal raises the surprising possibility that under provisions of the Investment Company Act of 1940, mutual fund shareholders cannot sue officers or directors of their fund for failing to perform their duties properly. A group of former officers of Managed Funds, Inc., was sued by the fund itself and by a shareholders group. The defendants contend that although the 1940 law regulates internal affairs of mutual funds, directors and officers are not subject to liability under the act, and therefore cannot be sued. A court of appeals agreed with this.

Managed Funds, supported by the Securities & Exchange Commission, is asking the court to reverse this ruling.

Seniority. Labor-management disputes again will take up a significant part of the court's time this session. One of the basic problems the justices are being asked to solve is whether a worker's seniority follows him from a plant closed down by his employer to a new one opened to replace it. The court's answer could resound in labor-management negotiations for many years to come.

The case involves Glidden Co.'s Durkee Famous Foods Div., which in 1957 closed a plant at Elmhurst, L. I., and opened a new one at Bethlehem, Pa. The company maintains that employment at the old plant was completely terminated, and along with it the labor contracts covering Elmhurst employees—including seniority provisions. But a group of employees claims they are entitled to jobs at the new Bethlehem plant because of seniority accumulated during their tenure at Elmhurst. Lower courts gave completely opposite answers.

TV sponsors tell their story to the FCC

At hearings in New York, some of nation's biggest advertisers explained their interest in program content and defended their right to exercise some control over it

The sponsor was having his innings this week at public hearings in New York before the Federal Communications Commission.

A steady parade of the nation's biggest advertisers took the stand to describe (1) their role in what the American public gets to see on the television screen and (2) their views on TV's programming trends.

Sponsors' views. This is the picture the sponsors presented:

- There is no question, if there ever was, that TV sponsors are vitally interested in the content of programs and their subject matter—with a perfectly justifiable right to be, as they see it.

- The public is chiefly to blame for this, because the overwhelming evidence shows that criticism or praise is pointed directly at the advertiser that picks up the tab.

- Right now there is a growing trend toward network control of programming, which some sponsors, at least, consider unhealthy.

- Taboos, some specific, others general, abound in order to avoid either offending the mass audience or placing a segment of the public or the sponsoring company's products in a bad light.

- Variety in prime evening viewing hours has declined, partly as a result of the networks' decision to stretch programs into hour-long shows, rather than half-hour.

- The "magazine concept" of programming, in which advertisers merely would buy spots scattered throughout a day, is no solution to improving TV fare.

The sponsors who gave their testimony under oath were attempting to justify their practices in an industry that has been beset by criticism from the government, the public, and commentators.

The purpose. Though there seemed to be some question about exactly what the hearing sought to develop, the basic reason for holding them is FCC's concern over program con-

tent. Newton N. Minow, the new FCC chairman, has blasted network television as a "vast wasteland."

FCC counsel Ashbrook P. Bryant explained that at hearings last June creative people in the industry blamed industry practices for the dearth of good drama, children's programs, and good music. "What we want to know," says Bryant, "is who did this?"

Advertisers' interests. For their part, the advertisers explained why they pick the kinds of programs they do and why they are so intensely interested in the program content.

Their interest in what goes on the air ranges all the way from a detailed set of do's and don'ts used by Procter & Gamble and General Motors to Bell & Howell's insistence that it eschews any kind of control over program content. To some extent, the sponsor's role is determined by the kind of audience he wants and the kind of show he picks to get it.

Bell & Howell decided to sponsor a sort of public service program, ABC's Closeup. It concluded that "it would be a dangerous precedent if sponsors became involved in the news and editorial pages of television."

Most other advertisers would agree with that. But in the case of entertainment or drama, they see nothing detrimental in exercising their right to edit the script particularly in those cases where they have complete sponsorship or close identity with the program.

With the growing tendency toward multiple sponsorships, caused in part by high costs of hour-long shows, the sponsors and their agencies have less influence, though they may attempt some control.

Good taste. Revlon, Inc., cited one show on Alfred Hitchcock Presents, which it partly sponsored, that it was able to kill. The story line had a deranged assistant to a magician attempting to emulate his boss, "but



Douglas L. Smith, advertising vice-president for S. C. Johnson & Son, says: "Since we pay the bill, we have a right to insist on changes."



Lever Bros.' Samuel Thurm (right), appearing with Washington attorney **Abe Fortas**, tells the FCC that "the opportunity for variety is restricted by one-hour shows."



At FCC hearings in New York, Revlon Vice-Pres. **Theodore G. Bergmann** testifies he persuaded a TV network to dump an Alfred Hitchcock show because of "excessive" violence.

in the show he actually cut the woman in two." The network agreed to drop it. In another Hitchcock show, a young girl was strangled; Revlon objected—to no avail.

Practically all the witnesses agreed that they insist on good taste, though many do not have policy spelled out as specifically as P. & G. "Good taste," said Douglas L. Smith, S. C. Johnson & Son vice-president, "is self-evident." Others agreed—naming profanity, overemphasis on sex, extreme violence as their primary taboos.

Business policy. When it comes to what is called business policy—the effect on the product that is being advertised—almost all the advertisers agree they have a right to set up rules. P. & G. doesn't want to antagonize grocery and drug businesses for instance. Nor does it want any of its products used in a bad light. As S. C. Johnson's Smith testified: "After all, we pay the bills."

There were different opinions on whether the type of program sets up a climate that either helps or hinders the commercial value of the advertising. Revlon, for one, avoids con-

troversial or distressing programs. "We are in the business of selling grooming products," said its advertising vice-president, and if the audience is depressed it is not an appropriate atmosphere. Revlon wants musicals and dramas.

On the other hand, Thomas McCabe, Jr., of Scott Paper Co. said he thought any category of programming could be brought up to a level of interest to meet the company minimum standard of shooting for one-third of the network audience tuned in at any one particular time. S. C. Johnson thinks there is a definite trend and increasing audience interest in public service programs. It is actively seeking TV offerings in this category to sponsor.

Magazine concept. FCC counsel couldn't elicit any agreement that the magazine concept would improve television. In fact, some advertisers said it would be to the disadvantage of the viewers, as well as the advertisers.

They admitted they don't expect to exert any control over the editorial content of printed media, but pointed out there is little similarity

between TV and newspapers or magazines. Printed media, they explained, offer a guaranteed circulation at a fixed price. There is no such guarantee on TV, and with the huge program costs, advertisers must be vitally concerned that the program is good enough to pull the size audience that makes the cost-per-thousand reasonable.

Besides this, letters and phone calls to the advertisers make it clear that any untoward incidents or bad programs are blamed on the advertisers and can affect company sales. This isn't true with printed media, say the advertisers.

Looking ahead, the advertisers see more and more program control by the networks, through purchase of shares in independent productions. The FCC was unable, however, to establish any direct attempts by the networks to bargain for a share for an advertiser-owned show in return for prime evening time.

In its study of network practices, FCC so far has heard the advertising agency people, the writers, and producers, and the advertisers. Networks will testify at a later date.



First nighters mill outside new Fisher Theater built by family whose name has become almost synonymous with auto bodies.



Modernistic statue of dancer by Edouard Chassaing stands in lobby. The bronze work was commissioned for the theater.



Motor society attending playhouse opening includes Ford Pres. John Dykstra (left) with Vice-Pres. John Bugas and daughter.



Enthusiastic audience stands on cue from Detroit's mayor, Louis Miriani, in tribute to Fisher family who built theater. Two of original seven Fisher brothers were present, along with numerous children and grandchildren.

Motor millions create new Detroit theater

Auto city raises curtain on a rare attraction
—a plush new legitimate theater, designed to appeal to the actors as well as to the audiences

The people in these pictures are participating in what has become a once-in-a-lifetime experience—the opening of a new legitimate theater. The Fisher Theater in Detroit is one of the very few new legitimate playhouses built in this country in the last 30 years or so—in fact, even theatrical old-timers aren't certain when the last one was built on this scale.

For Detroiters—and particularly the motor industry, one of whose first families financed the project—the theater is all the more a source of pride because it is from start to finish a creation of their very own that they feel couldn't be duplicated any place.

The debut of the new playhouse took place when a glittering assemblage invited by the owners and managers turned up to see a new show, *The Gay Life*, in its pre-Broadway trial.

Two families. The theater is located in the Fisher Bldg., a gilt-capped skyscraper completed in 1927 for the Fisher brothers—the seven Ohio boys who moved to Detroit in 1908 to help their uncle build automobile bodies for the new General Motors Corp. The family later sold out for hundreds of millions of dollars in GM stock and over the years put much of the earnings into Detroit real estate and banks, including the National Bank of Detroit, the nation's 14th largest.

The idea for the new theater came from the Nederlanders, one of the country's few remaining theatrical families, who have managed theaters and moviehouses in Detroit and Chicago for nearly half a century. The head of the house, 75-year-old David T. Nederlander, has been associated with the Shuberts for many years and owns the theater of that name in Detroit; his sons Joseph and James are the active managers of the business.

Since 1928, a big part of the lobby of the Fisher Building had been

occupied by a movie house. Two years ago, David T. Nederlander sold Fisher & Co., the family holding company, on using the space for a legitimate theater. The movie house finally closed in December, 1960. Shortly thereafter its Mayan decor—a fine example of the early-motor-millions school of art—was removed, and only the bare walls, floor, and roof remained.

From scratch. The Nederlanders, who will operate the new playhouse, are ecstatic and more than a little awed by what followed. For years modern theater architects and sound engineers have been muttering about what they would do if they ever had a chance to develop a legitimate theater from scratch. Until now, they have had to be content with revamping and modernizing older theaters, always restricted by space and budgets.

In the Fisher lobby the architects, Rapp & Rapp, had at their disposal almost unlimited space (the movie house had 3,000 seats, the theater has about 2,000). More important, from the Fisher company they received almost unlimited backing. Speaking of the Fishers, one of the Nederlander sons remarks wonderingly: "They never asked what something cost, only whether it was the best." The whole job is estimated to have cost \$3.5-million.

The result is a theater unlike any other. Modern in design with lavish use of marble, bronze, and crystal, it is a theater where wraps can be checked quickly and painlessly, where the rest rooms are large and easily accessible, and where a stage whisper can be heard in the last row of the balcony—thanks to a system known as "voice support."

And it is a theater where the backstage quarters are so lush—three-room suites for the leading players—that the Nederlanders hope they will lure more of the original casts of Broadway shows to brave the rigors of the road.



Actress Barbara Cook busses producer Kermit Bloomgarden in dressing room as actor Walter Chiari watches.



Younger members of Fisher clan relax before show in club high up in Fisher Building, which houses new playhouse.

Oil import curbs due to change

Administration likely to tighten the limits on crude brought from abroad, but to ease or lift the checks on the heavy industrial oil sought by East Coast interests

The Kennedy Administration is on the verge of altering the two-year-old program limiting oil imports. The signs point to tougher restrictions against crude oil from overseas, but freer—perhaps unlimited—imports of heavy industrial oil, burned chiefly on the East Coast.

The machinery for limiting crude oil imports is getting a tune-up at the Interior Dept. Changes will be made shortly, aimed at giving Southwest oil producers some added relief from a long period of lagging production and sluggish activity in looking for new oil reserves.

Controls on the heavy industrial fuel, called residual oil, are being investigated by the Office of Civil & Defense Mobilization, watchdog over the impact of imports on national security.

Because of the OCDM inquiry, the big users and importers of residual oil, backed by Venezuela, have mounted a powerful attack against the curbs. These forces hope they have the coal industry and the coal-carrying railroads, advocates of the controls, on the run.

Two-way stretch. At first glance, the Administration appears to be saddling up to ride off in two directions: toward reducing crude oil imports, and toward easing controls on industrial fuel oil.

For a key to such behavior, it's necessary to look at the two facets of oil import restrictions, and their development since the GOP Administration imposed them in 1959.

Residual oil is used mainly on the East Coast by industry and electric utilities, and to heat very large buildings. As its name implies, it is little more than a waste product to efficient U.S. refiners, and they constantly seek to turn out less and increase their yields of higher-priced products. Venezuelan crudes yield a high proportion of residual oil, however, and Caribbean refiners turn it out profitably. Currently, some 462,000 bbl. per day enter the U.S.

Crude oil from abroad, together with products other than residual oil refined overseas, is kept down to about 9% of demand, and is now en-

tering the U.S. at a rate of about 1-million bbl. per day. The limitation is to protect the domestic oil industry from the competition of low-cost foreign oil.

Pressure. Before controls were imposed, Southwest oil producers teamed with coal producers, unionists, and coal-carrying railroads. Together they had the political muscle to force compulsory limits on the oil imports despite the international oil companies, which wanted the U.S. market for their own overseas reserves.

The domestic oil producers, with little vital interest in residual oil imports, got what they wanted: restraints on crude oil imports. The coal industry, without much stake in the crude oil problem, got its wish: a dam against Venezuelan industrial fuel. But the two halves of the program have had contrasting histories since 1959.

The international companies have since bowed to the inevitability of crude oil control, and this part of the program has progressed with a minimum of controversy.

But the quotas on residual oil have spelled nothing but strife. Users up and down the East Coast have demanded that the curbs be scrapped, charging they have brought price increases up to 20¢ per bbl. without aiding a single unemployed coal miner. Coal, just as vehemently, has insisted on lower imports.

Congress has been a forum for both sides. But the foes of controls have recently been picking up steam. Prodded by the New England Council, the 12 New England senators have taken the lead. They now have the backing of the senators from Florida, Hawaii, New Jersey, and New York.

Waning zeal. In the face of this onslaught, the enthusiasm of the U.S. oil producers for continued clamps on residual oil imports is fading. They're afraid public resentment against residual oil controls will rub off on their own program. They also fear the ire of East Coast congressmen when the Trade

Agreements Extension Act comes up next year for renewal.

This act contains the clause that let Pres. Eisenhower order controls in the first place. Under it, the New Englanders are now asking OCDM to urge the same kind of restrictions on textile imports, but the Kennedy Administration is resisting. The domestic producers fear retaliation against the entire oil import program if the New Englanders are told they can't have textile quotas, but can't have cheap Venezuelan fuel oil, either.

With the old coal-and-oil alliance weakened, the former partners are tending their gardens separately, and respectively, at OCDM and the Interior Dept. With sympathy from Interior Secy. Stewart L. Udall and Assistant Secy. John M. Kelly, a former producer himself, the Southwesterners seem to be faring well enough on their own.

Udall and Kelly are expected to reduce crude oil imports by 50,000 bbl. per day.

The method of fixing the amount of imported oil to be allowed is also likely to be changed. Instead of pegging imports to U.S. demand for products such as gasoline and lubricants, the level would be tied directly to demand for unrefined crude oil. This would have the effect of tightening up the program, and would also let the government see more precisely the effects of imports on U.S. crude production.

Canada and Mexico. While the Administration seems ready to give U.S. producers a little more protection from overseas oil, it is unlikely to provide any remedies for increasing deliveries overland from Mexico and Canada. Oil delivered overland is exempt from the present controls.

Mexico's exports shot up early this year, until Kelly negotiated a 30,000-bbl.-per-day truce. Producers in the U.S. regard the agreement as temporary.

Canada intends to boost its own production of crude from 550,000 bbl. per day to 800,000 bbl. by the end of 1963, by selling more oil in



Where 'Backseat Driving' Pays Off

On land, backseat driving is scorned, usually produces only trouble. At sea, however, driving from the "backseat" is proving to be a profitable method of operation, producing *more efficient water transportation of petroleum.*

Sinclair Refining Company currently operates two unique "bridge-aft" ships for crude oil movement. The ships' design eliminates the traditional midship superstructure. This has resulted in construction and maintenance savings and added cargo-carrying capacity. Operating experience has shown that these

ships are easier to navigate and provide even greater crew safety than do conventional tankers.

Satisfactory performance by these ships has led Sinclair to order two larger and faster "bridge-aft" tankers, each with approximately double the carrying capacity of the existing ships.

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the U.S. and by pushing overseas oil out of some Eastern Canadian markets.

U. S. producers fear that Canada's bold program will be carried out entirely at their expense. In the competitive Great Lakes area, for example, Canadian deliveries from June, 1960, to this June jumped from 69,000 bbl. per day to 83,000 bbl. Then devaluation of the Canadian dollar gave Canada's crudes a price advantage of 15¢ to 20¢ per bbl.

Canadians talk of stabilizing exports and putting more emphasis on hiking their own consumption of Canadian oil. They hope this will deter the Interior Dept. from seeking limits on imports from Canada.

Relaxed curbs. Udall probably tipped the Administration's hand on residual oil imports earlier this year when he relaxed the controls enough to meet domestic demand. This enraged the coal interests, but merely whetted the appetites of the Eastern consumers, who clamored for a finding that controls aren't needed any longer. When OCDM agreed to study the issue, coal producers, miners, and railroad forces quaked.

Underscoring coal's alarm, Sen. Jennings Randolph (D-W. Va.), top coal spokesman in the Senate, asked recently that "nothing irrational or hasty" be done to residual oil controls. In effect, he implored the Administration to stall its OCDM ruling until the Senate Interior Committee has completed a long-range study on the total U. S. fuels picture.

The coal view is that national security will be imperiled if the East Coast becomes too dependent on Venezuelan oil. Coal, they warn, may decline beyond the point where it could make a quick comeback to fill the gap if tanker shipments were cut off by war. The shakiness of Venezuela's government is also cited. The users counter that Venezuela will be a lot less stable if we continue to keep out its oil.

Furthermore, the heavy fuel consumers say, the quota system has destroyed competition in the residual oil market by tying users to specific jobbers, and tying jobbers to importers. The system, they say, puts the region's manufacturers at a competitive disadvantage in U. S. and foreign markets.

OCDM, meanwhile, is waiting for the State Dept. to appraise the impact of controls on Venezuela, the Defense Dept. to decide the importance of residual oil in various types of conflict, and the Commerce Dept. to weigh the effect of controls on the competitive position of East Coast industry. The OCDM verdict could come early next year.

120,000 strike at Ford over non-pay issues

Surprise walkout comes after all economic points were settled. Negotiators turned too late to items known to be sticky. Neither side sees quick settlement

After 95 days of sluggish bargaining, a surprise strike paralyzed Ford Motor Co. this week—the first nationwide walkout in its history. Some 120,000 auto workers left their jobs Tuesday when company and union negotiators quit the bargaining table with important non-economic issues still unsettled.

Negotiators did not begin talking seriously about these items until a few hours before Tuesday's 10 a.m. strike deadline, although they had been recognized points of disagreement for three months. At the end, it was too late. United Auto Workers Pres. Walter P. Reuther, blaming the company for delaying the negotiations, called out Ford workers.

Wage accord. Money issues were not in dispute. Reuther had even gained from Ford, the union's secondary strike target this year, a somewhat better economic agreement than General Motors had agreed to Sept. 6 [BWV Sep. 16'61, p23].

But the non-economic issues—production standards, outside contracting, union representation, and in-plant jurisdictional problems—had to be settled as a basis for local negotiations. At strike deadline, 46 UAW locals of a total 85 had not settled with plant managements.

Reuther apparently preferred a controlled national strike, led by himself, to widespread local walkouts such as those that crippled GM for 10 days in September. By Wednesday, UAW and Ford were trying to devise a method of liaison between national and local negotiators. Both sides hoped to settle local disputes as agreements on the national contract are reached.

At GM, the situation was exactly the opposite. National bargainers agreed on all non-economic issues in the national contract on Sept. 11 but scores of locals, some of them defying Reuther, stayed on strike for 10 more days. Reuther hoped

to forestall local walkouts at Ford.

Positions reviewed. Neither side was optimistic at midweek about a quick settlement at the national level. The issues on which union and company were apart were so confused that negotiators adjourned for 24 hours, and Wednesday's sessions were brief and confined to procedures. Talks at the national level were put off until Friday while both sides pushed local bargaining.

Labor Secy. Arthur J. Goldberg, who had actively promoted the GM settlement, said he hoped UAW and Ford could settle quickly, but there was no immediate indication he would intervene.

Ford terms. Reuther won from Ford a better supplementary unemployment benefits plan than from GM. Under the GM plan, a worker whose unemployment compensation payments run out can still collect SUB for as long as he has accumulated work credits—up to 52 weeks. But the payments remain exactly what they were when combined with UC—that is, a total of 62% of gross weekly pay. Ford, however, agreed to pay a maximum \$40 from its SUB fund after UC payments expire.

Ford also gave somewhat liberalized pension and insurance programs.

Knotty issues. The unsettled non-economic issues were knotty ones. UAW is demanding a voice in company decisions to hire outside contractors for maintenance work and to buy tool and die work from other companies. UAW also wants a higher ratio of full-time plant committeemen to workers, one for every 250 men. There are no contractual ratios now.

In the production standards area, UAW was backing away from its earlier demand of 6% or 28.8 minutes relief time a day for assembly line workers. But at midweek, neither side knew just where it stood on this issue.

PROTECTION IN DEPTH

How it helps cut compensation costs



Taking the measure of a man to prevent crippling injuries

Simple common injury caused by lifting, pushing and hauling costs American industry millions of dollars a year in payments under workmen's compensation. How much weight can a man safely lift or push? What is the ideal handtruck design? How can existing trucks be made safer?

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U. S. proposal in du Pont case demands Christiana also divest GM stock

The Justice Dept. this week filed in Chicago federal court its proposed final judgment in the du Pont-General Motors stock case. The antitrusters did not quarrel with du Pont's suggestion that it be allowed flexibility in getting rid of its 63-million shares of GM. But in demanding that Christiana Securities Co. also be ordered to divest itself of all GM shares it holds or may acquire, the government opened a wide area of disagreement that might bring the 12-year-old case before the Supreme Court for a third time.

Christiana is controlled by du Pont family interests and holds nearly 30% of du Pont common. As a result, the antitrusters argue, a group of 65 persons and organizations could end up controlling 8% of GM stock.

The next step is up to Judge Walter J. La Buy, whose final judgment is expected fairly soon.

Senators weigh full-scale probe of aluminum industry

The Senate antitrust and monopoly subcommittee this week disclosed that it is conducting a "preliminary investigation" into the aluminum industry, and has issued subpoenas for documents to some 20 smaller companies—mostly fabricators. Major primary metal producers, such as Alcoa, Kaiser, and Reynolds, were not subpoenaed.

The subcommittee is interested in two phases of the aluminum industry: (1) prices, and (2) the extent of activity of primary metal producers in fabricating. Sen. Estes Kefauver (D-Tenn.), chairman of the subcommittee, has conducted extensive hearings into other "administered" prices. The Justice Dept.'s Antitrust Div. already has antimerger suits pending against primary metal producers that have acquired fabricators.

The subcommittee stresses that no decision has yet been made as to how extensive its inquiry into the industry will be. The purpose of the "preliminary" investigation is to determine whether a full-scale Congressional inquiry is called for.

Fed may hold open hearings on proposed Morgan Guaranty merger

The Federal Reserve Board may hold open hearings on the request for approval of the setting up of Morgan New York State Corp., the seven-member bank holding company O.K.'d last week by New York State. The combination of Morgan Guaranty Trust Co. and six upstate banks would form the country's largest bank holding company, with total assets of some \$6.3-billion. It also would have 11% of the state's commercial banking assets, 8% of its banking offices.

Oren Root, New York State banking superintendent, ruled that the new company would not result in a lessening of competition, since the banks "are not now competing with each other to any significant extent." Some upstate bankers protested that Morgan and Marine Midland Corp., the other statewide bank holding company, together would have 33% of the commercial bank assets outside of New York City, 28% of the banking offices. They—along with the Independent Bankers Assn. and Rep. Emanuel Celler, longtime foes of big bank mergers—have asked the Fed to hold open hearings.

Rights commission urges Kennedy to ban discrimination in private mortgages

The U. S. Commission of Civil Rights this week urged Pres. Kennedy to issue an executive order banning discrimination in private home mortgages made by banks under federal supervision as well as in FHA and Veterans Administration loans. Such an order would cover 60% of all private home mortgages. The suggested order also covers all public housing and urban renewal projects.

The commission's report criticized federal housing agencies for failure to guarantee availability of loans equally to all races.

Two of the six commissioners issued a minority statement deploring discrimination but warning against federal intervention in banking practices.

RCA claims biggest computer sale

In what was called the biggest commercial sale of data processing equipment, France's Cie. des Machines Bull placed an initial order with Radio Corp. of America for a minimum of 50 and a maximum of 100 RCA data processing systems. At the same time, the companies signed an agreement by which RCA grants non-exclusive patent licenses to Bull for the manufacture of data processing equipment, and Bull grants RCA non-exclusive patent licenses for the manufacture and sale of data processing equipment—punch card equipment excepted.

Allis-Chalmers cuts white-collar pay

Allis-Chalmers Mfg. Co. this week announced pay cuts for its 13,000 salaried workers, ranging from 5% for the less-than-\$10,000 people up to 25%. Production workers aren't affected by the "temporary economy measure," to last while longer-range cost cutting is effected.

The company faces contract bargaining this month with the United Auto Workers, which represents 6,000 production workers. UAW agrees that A-C is in difficulty, but says that it plans no concessions, arguing that the company's troubles are its own fault.

Washington outlook BW

October 7, 1961

GOP professionals see a tide running for their party

Republican hopes are on the rise for big gains in next year's crucial Congressional elections.

Beyond, party strategists see an improving prospect for beating Pres. Kennedy for the White House in 1964.

This is the judgment of GOP professionals—men who regard politics as a livelihood. They try not to be swayed by emotions or by events of only passing importance. They live with the hard facts of political life. And they think the party is in a position to score big, even to winning the 44 seats necessary to take control of the House.

A victory of that size would make Rep. Charles Halleck, the Republican hard rock from Indiana, Speaker of the House. Halleck would give Kennedy the fight of his political life.

Hopes based on conservative trend and troubles abroad

As these professionals see it, the temper of the country is running in a Republican direction.

They believe the average voter is moving to the right.

They also believe that Democrats will be vulnerable to charges of mismanagement in foreign affairs.

Any settlement Kennedy is able to make on Berlin, for example, is almost certain to involve an acknowledgement that Communist East Germany exists as a separate country. Republican orators will attack this as giving way to Khrushchev—as appeasement. They will pile it atop U.S. failures in Cuba and Laos.

The stepped-up attacks on Kennedy in recent weeks, from former Pres. Eisenhower down through the ranks, are only a forerunner of what's to come.

GOP worries over money and candidates

Realists in GOP top circles are worried about three things: money, good candidates, and organization at the precinct level. Without all three, they fear the opportunity for a Republican comeback will be wasted.

That's the heart of the message the party's national leaders are taking to the state organizations in a series of regional conferences. The most important of these meetings, so far as 1962 hopes go, will be in Minneapolis Nov. 28 and 29. National Chmn. William E. Miller, flanked by Sen. Barry Goldwater and Rep. Bob Wilson of California, chairmen of the Senate and House GOP election committees, will confer with Midwest leaders.

Close districts make Midwest battle center

The Midwest will be the chief battleground next year.

About 40 Midwest districts are rated as virtual tossups by the professionals in both parties. The exact number will depend on reapportionment decisions still to be made by a number of state legislatures.

Particular GOP targets will be four seats in Illinois won by narrow margins by the Democrats last year, three in Missouri, and two each in Iowa and Indiana.

There are about 25 marginal districts in the Northeast, mostly in New York and Pennsylvania. Republican hopes center on picking up two or three seats in New York.

It's the Midwest that offers the GOP its best chance of knocking off Democrats in important numbers. Both sides will be pouring money and talent into the area as the campaign takes shape.

Washington outlook Continued

Kennedy hoping to stir up support in cities

Kennedy is starting countermoves of his own.

The announcement this week that the White House will sponsor a series of conferences in 10 cities on national problems is aimed first at building up public opinion for Kennedy's programs in Congress next year.

But Democratic hopes for the Congressional elections are also much in mind. Note the location of the cities. Four of them—Chicago, St. Louis, Detroit, and Cleveland—lie in the Midwest battleground. Two are in the East (New York and Philadelphia), two in the South (Nashville and Houston), and two in California (Los Angeles and San Francisco).

Business taxes will be first under electronic eye

Tax returns of business firms will be the first to go under the eye of an automatic data processing system now being installed by the Internal Revenue Service.

Eventually the automatic system will be extended to every business firm and to every individual taxpayer. But it will be started next year in only the Atlanta tax collecting district and only for business taxpayers. Business returns from Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, and Tennessee will be given the new treatment.

The plan now is to add a district each year. Next in line is the Philadelphia district covering Pennsylvania, New Jersey, Delaware, and Maryland. This will involve business returns submitted in 1963, covering 1962 income.

Returns from individuals will be introduced into the system on a district-by-district basis, a year behind the business returns.

The order in which other districts will be added is still to be worked out.

Higher spending target seems likely

Another increase in the Administration's spending target for the current year seems to be in the making.

New estimates will be announced sometime later this month in the budget review, a document prepared by the White House annually after Congress goes home. They may show a rise of \$1-billion or so above the \$87.7-billion estimated last July.

This would be the fourth increase since Kennedy took office last January. Kennedy will end the fiscal year next June 30 with expenditures \$8-billion or so higher than the budget submitted by Eisenhower before he left office.

Nixon's risk: politics as played in California

Richard M. Nixon's decision to seek the governor's job in California doesn't take him out of the Presidential picture in 1964. He can still be drafted if the Republican convention wants him as a candidate against Kennedy.

But first he'll have to handle Goodwin Knight, his challenger in the Republican primary, then Gov. Pat Brown, who will be the Democratic nominee. Knight's accusation that a Nixon emissary tried to bribe him with a job offer to get out of the primary is typical of the way politics is played in California.

Rayburn's illness may touch off Democratic fight

Chances of a Democratic fight in the House next year over the Speakership rise as Speaker Sam Rayburn's illness takes a serious turn. Rayburn has the standing to retain the Speakership even if illness should keep him pretty much on the sidelines. But there is grumbling over the way Majority Leader John W. McCormack ran the House while filling in for Rayburn in the closing weeks of the recent session. Younger men with hopes of succeeding Rayburn won't like the idea of working under McCormack, even on a temporary basis.

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Syria coup shakes Mideast

Secession from UAR, after revolt of merchants, is threat to Nasser's leadership

Syria this week seceded from the United Arab Republic, throwing the ever-agitated Middle East into new turbulence and casting a long shadow over the future of UAR Pres. Gamal Abdel Nasser.

At midweek, the secessionists, led by Premier Mamoun al-Kuzbari, appeared to have succeeded in the breakaway from Cairo, although the situation was far from clear. Five nations—Turkey, Jordan, Iran, the Republic of China, and Guatemala—had recognized the new Syrian government, which has asked for reinstatement in the Arab League and admission to the United Nations. Syria was a member of both organizations before it joined with Egypt to form the United Arab Republic in 1958.

The major powers at midweek seemed to be waiting to see which way the wind would blow. The U. S. and Britain were moving cautiously to see whether the new government would survive and also not to antagonize Nasser. The Western breach with the Egyptian leader caused by the Aswan Dam and Suez crisis has been slowly closing.

Merchant classes. The Syrian affair has been a merchant class revolution, started by the very people who wanted Nasser in 1958 to step in to prevent a Communist takeover. Although there was increasing dissatisfaction in Syria over the rapid integration of Syrian politics and economics with those of Egypt, no one expected an outburst to come from the middle classes. Even though hardest hit by the union with Egypt, they were not thought to have sufficient strength and influence in the army to attempt an overthrow.

The revolution was a direct outcome of nationalization and social-



Gamal Abdel Nasser, head of the riven UAR, may try to avenge Syria's loss

ization measures in July, which forced private Syrian trading and industrial concerns to merge into Egyptian state-owned enterprises run by Cairo bureaucrats. These decrees also put limits on individual income and reduced from 200 to 100 the number of acres of land one person could own. Other new regulations forced employers to hire more workers.

Limited autonomy. The rebels' original plan was not to secede from the United Arab Republic, but to wrest a certain measure of economy and political autonomy for Syria, especially equal opportunities for army officers and a repeal of nationalization decrees that had all but killed private enterprise and stagnated the economy, already hard hit by three years of drought.

The rebels went all-out for secession only after Nasser turned down

their demands and ordered his troops to crush the rebellion. His subsequent decision to withdraw, rather than to compromise, was a tactical retreat and face-saving maneuver. It probably prevented a general upheaval among the Arabs, with Jordan, and perhaps Iraq getting into the melee.

By launching an all-out propaganda and diplomatic war against Syria's new rulers, Nasser is trying to make up for his military retreat. Cairo radio's powerful "Voice of the Arabs" hourly exhorts Syrian students, army, and populace to rise up and kill the "reactionary capitalists and the enemies of Allah" in Damascus. Nasser has threatened to break off diplomatic relations with any country that extends recognition to the breakaway state.

He has already done so with Turkey, Jordan, and Iran, the first to



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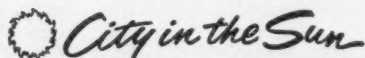
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recognize the new Syrian regime. All three are identified in the Arab world with Western alliances, which gave Nasser the excuse to brand the revolutionists as stooges of Western imperialism.

Reactions awaited. The effectiveness of Nasser's attempts to isolate the Syrian regime will be indicated by what Iraq and Lebanon do. As neighbors of Syria, they have economic and geographic reasons for recognizing the new government. But their governments will be under heavy pressure from pro-Nasser elements not to.

The outlook for Syria and the Middle East is far from serene. Syria has always been a hotbed of Arab intrigues and a bone of contention among rival Arab forces—Egypt, Jordan, and Iraq—fighting for control of the heartland of the Arab region. The new regime will be faced with prolonged unrest at home, stirred up by Nasserites, Communists, and partisans of union with Jordan or Iraq.

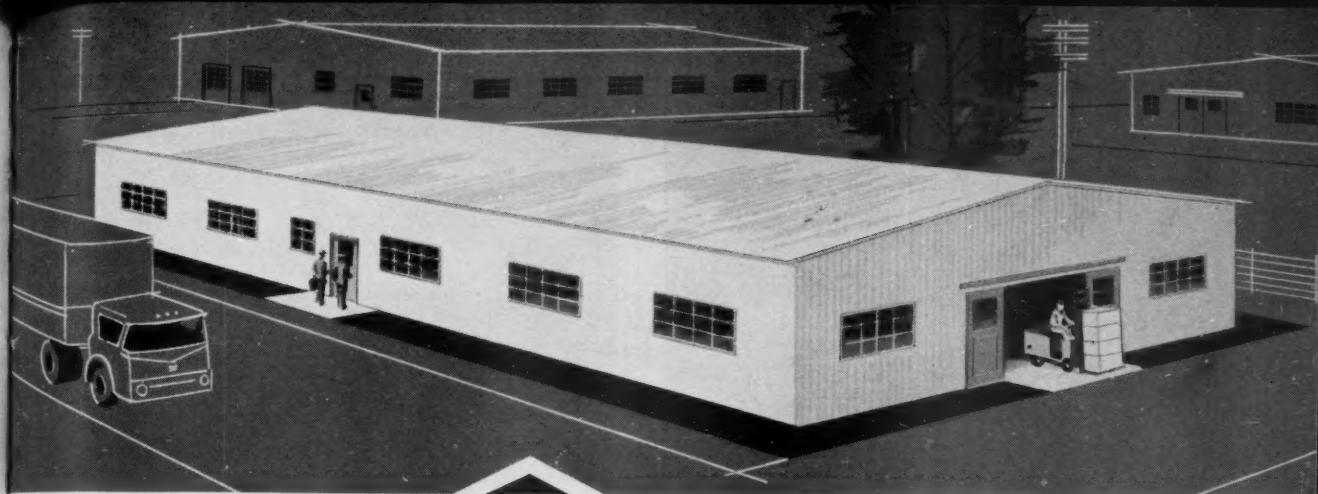
Economically, the new rulers have an enormous task. This was not just a coup d'etat, with one team unseating another, but a secession. Syria's economy and administration was run from Cairo, and the new rulers will have to unscramble the entire system.

Many Syrian companies had merged with Egyptian concerns and their assets had been moved to Cairo. The unscrambling will be especially difficult for organizations such as the United Arab Airlines, the general petroleum authority, and the recently nationalized banks. Syria's gold reserves are reportedly in Cairo.

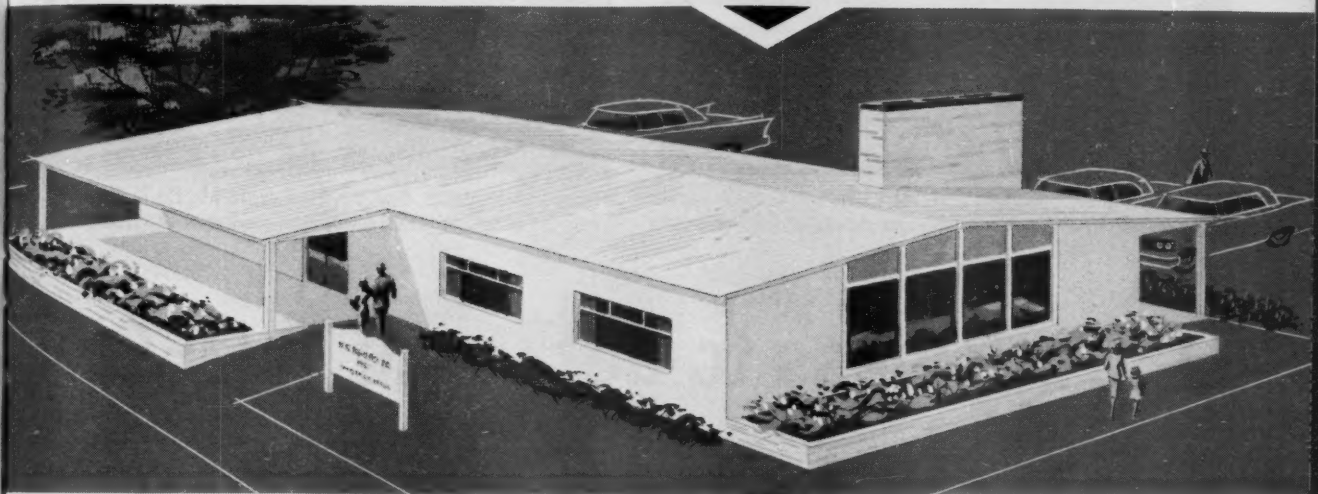
Counter strokes. The Syrian revolt was the first armed anti-Nasser outburst since he came to power in 1952. It's a hard strike at his program for Pan-Arab union. But Nasser can be expected to make up for the loss by striking again not only in Syria but in Jordan. The moves are more likely to be subversive action than overt thrusts.

If Nasser does not attempt to regain his stature throughout the Arab world, he may find difficulties inside Egypt itself. He has publicly pledged that he will strike harder at the forces of reaction everywhere in the Arab world.

This may mean another round of popular agitation in the Arab countries, to bring their governments in line with Cairo. The truce in inter-Arab relations, which began two years ago when Nasser gave up his policy of uniting reluctant Arab governments under Cairo, is now over. **End**



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Richard Wagner, president of U. S. Chamber of Commerce, helps decide how American business should be represented.



Marcus Wallenberg, Swedish banker, heads European management group in OECD, opposes merger with U. S. group.

U.S. business to get voice in OECD

West's 20-nation economic organization plans strong advisory roles for labor and management groups. The problem right now is choosing representatives for American business

American business may soon be playing an important role in the 20-nation Organization for Economic Cooperation & Development (OECD), which officially opened for business in Paris this week.

OECD was conceived as essentially an intergovernmental body, whose purpose would be to coordinate the economic policies of the U. S. and Canada and of the 18 members of the now-defunct Organization for European Economic Cooperation. But it now seems likely that an advisory group from management, as well as one from labor, will play an important part in shaping OECD's activities.

Spokesmen. It's still not clear just how U. S. management will be represented in OECD, or whether it will merge for this purpose with the Council of European Industrial Federations. This group, which acted in a consultative capacity to OEEC, now is headed by Marcus Wallenberg, a leading Swedish banker.

On Monday, top representatives from three U. S. business organizations met in Paris with OECD Secy. Gen. Thorkil Kristensen. In this country, meanwhile, Pres. Richard Wagner of the U. S. Chamber of Commerce took on the job of coordinating the effort to get together a committee that can speak for U. S. business.

The AFL-CIO already has joined with Western European non-Communist trade unions to form a labor advisory group.

OECD's goals. You can get some idea of how important the role of the two groups might be when you consider OECD's two main objectives:

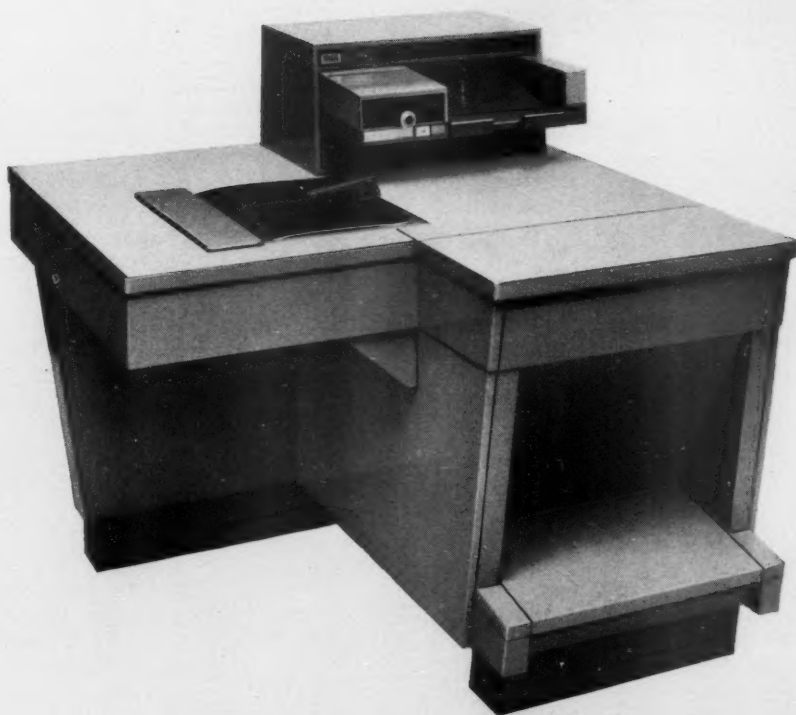
- Its first goal is to promote higher economic growth rates among member countries by top-level consultations on national economic policies, including the relationship of wages and price inflation.

- The second is to find more efficient ways to channel the Western world's capital resources—private as

well as public—into the underdeveloped areas of the world.

It is certain that OECD also will get involved in antitrust questions, another matter that concerns American business. At some point, too, it's bound to take up trade relations. However, not much will be done in this area until the question of British entry into the European Economic Community is settled by direct negotiations between London and EEC.

Even before OECD officially started this week, it had begun to tackle its two immediate objectives on an ad hoc basis. For example, OECD's development assistance committee can now take over the spadework done in this field over the past few months by the interim Development Assistance Group (DAG). Top officials from the U. S. State and Treasury Depts. also have traveled to Western Europe to attend sessions with their European counterparts on problems of eco-



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conomic growth and monetary stability.

Bigger voice. Up to now, these discussions have been on a strict government-to-government level. And there will be more of the same, of course. But once OECD's consulting machinery is set up, U.S. management and labor will have their say on such issues.

Price problems. It's no secret that one burning topic—price inflation—is sure to crop up before long in OECD's economic work.

One of OEEC's last reports, put together by six independent experts, dealt with this price problem. The report assigned considerable blame for rising prices to wage pressures, and stirred up howls of protest in labor circles. Says Irving Brown, AFL-CIO European representative, "This is the kind of OECD study we intend to have our say about before it's wrapped up in final form."

European management, too, is moving ahead in anticipation of OECD work on price problems. The Council of European Industrial Federations (CEIF) is polling its members in an attempt to hammer out a common price policy to put before OECD.

OECD also intends to seek management and labor consultation on investment in underdeveloped nations. In fact, this topic dominated the last meeting of OEEC with European management. There is some talk that OECD might attempt to draw up an "investment code."

The idea is that private investment by OECD member nations in underdeveloped regions would be protected by a set of rules that both lending and receiving nations would accept.

Another subject on which OECD may seek management-labor advice is antitrust legislation. OECD, in fact, is creating a group of experts that will deal exclusively with restrictive business practices.

Under the new setup. OECD officials say they are anxious to have management and labor take an active part in the organization's work. Under OEEC, the management and labor advisory groups were often brushed off with little more than briefings on questions already decided by top OEEC officials.

In the old setup, the contact point between the agency and nongovernment groups was a five-nation committee selected by the OEEC Council of Ministers. Periodic meetings were held by this committee with European management and labor. Management was represented by CEIF, which grouped the national management organizations of the 18 OEEC members. A joint trade union

advisory committee spoke for European labor.

Under OECD, it is likely that the five-nation contact committee will be enlarged. In any case, U.S. membership is a certainty. There's also talk in Paris about upgrading the contact committee by putting Kristensen at its head. More important, the prospect is that management and labor will be directly involved in OECD economic reports while they are being drafted—not after they have been completed, as usually was the case with OEEC.

Choosing representatives. For the moment, though, the new advisory machinery is being held up by the difficulties U.S. business organizations are having in working out some form of joint representation.

One of the problems is that U.S. business does not have a single national body, as does management in each of the European nations. There are at least five organizations now involved in trying to decide how U.S. business should be represented in OECD—the U.S. Chamber, the National Assn. of Manufacturers, the U.S. Council of the International Chamber of Commerce, the Committee for Economic Development, and the National Foreign Trade Council. And these bodies still haven't agreed on how to select an over-all committee.

Last Friday, the Dept. of Commerce, at the request of State, held a meeting at which the first three of these organizations were represented. At this meeting, Wagner was picked to coordinate the effort, and a decision was made to include the NFTC in a second, all-business session to be held in Washington later this month. It's still not clear whether the CED will join. But whether this organization does or not, it expects to backstop OECD with some research projects.

Exclusive attitude. The problem of U.S. business representation is further complicated by the reluctance of European management to unite with their American counterparts, as European labor is doing with the AFL-CIO, in a common approach to OECD. CEIF Pres. Wallenberg wants to keep the European character of his organization intact. The U.S. businessmen involved can understand this attitude and they themselves don't want to go quite so far as a merger of the U.S. advisers with CEIF.

Wallenberg's attitude, however, is not welcomed by all OECD officials. They would prefer to deal with the management of member nations as a group, rather than as a two-headed body. **End**

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It can be applied to many of the familiar uses for plastic films. But it will also accomplish many unusual tasks with impressive results, chiefly because Tenite Polyester itself possesses such unusual properties. This table will give an idea of some test results:

Typical Physical Properties of 1-mil Film		
	25°C	-50°C
Density, g/cc	1.226	
Refractive index	1.59	
Tensile—Yield Strength, psi	10,000	15,000
Strength at break, psi	17,000	20,000
Elongation at break, %	45	40
Modulus, 10 ⁵ psi	4.0	4.5
Tear strength, g/mil	6	
M.I.T. fold endurance, cycles	10,000	
Burst strength, psi	56	
Moisture absorption—24 hr at 25°C, %	0.3	
Water vapor permeability—g-mil/100 in ² /day	1.8	
Flammability	Will not sustain flame due to melting (ASA burning rate)	
Color	Brilliant water-white	
Resistance to degradation by steam—	No change after 8 days at 110°C and 100% R. H.	
Heat-distortion temperature, 2% at 50 psi	170°C	
Dielectric strength, 1-mil, 500 v/sec, 60-cycle	6,500 v/mil	
.5-mil, 500 v/sec, 60-cycle	9,000 v/mil	
Corona resistance, 1-mil, 2,000 volts, 60-cycle	150 minutes	
Insulation resistance, 100°C, 100 volts, 5-min electrification	> 10 ⁴ megohm microfarads	
Dissipation factor, 1.0 kc, 100°C	0.006	
Capacitance increase, %, 100°C	2.0	

You might compare these figures with those on hand for any other plastic film. But there are additional facts well worth knowing, and they can best be evaluated by seeing the film and reading about what it can do. Generally, the story adds up to this:

Unusual Performance

Film of Tenite Polyester plastic is brilliantly clear and glossy. It has excellent dimensional stability along with high heat-distortion temperature and low moisture absorption.

These properties suggest its possible use as a "boil-in-bag" package. It has also been tried experimentally for packaging popcorn, where corn, oil, and salt are sealed in a transparent pouch and popped in three minutes of heat from infra-red lamps.

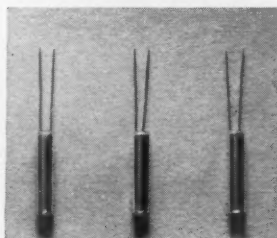
Other possible applications include metallic yarns (the film can be metalized as well as laminated to foil), magnetic tape, page protectors in notebooks, and laminated protective surfacing for automobile

kick plates, in which its scuff-resistance is important. Film of Tenite Polyester is suited to laminating, stamping, printing, and vacuum forming.

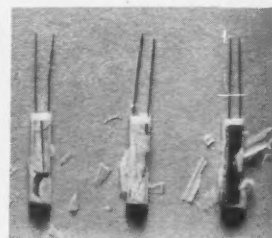
New Electrical Benefits

It is in the electrical field that the properties of this film have proved most exciting. It possesses a high dielectric strength along with an extremely stable dissipation factor and dielectric constant. These properties, together with excellent resistance to chemicals and moisture, provide important new benefits when the film is used as an insulation winding for wire, cable, capacitors, and coils.

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Tenite Polyester



Other Film

film of Tenite Polyester plastic in comparison with those made of another polyester film. In both tests, the capacitors were uncased and were held at 110°C. and 100% humidity. Results after eight days are shown here. After 21 days, the capacitors made from Tenite Polyester were still intact. The properties demonstrated by these tests mean substantial savings in making capacitors; the case of a conventional capacitor contributes a major part of its cost.

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All these properties add up to an impressive list of benefits for users of film. In making your own appraisal firsthand, you may wish to have samples and detailed information. Just write Terafilm Corporation, Canal and Ludlow Streets, Stamford, Connecticut, extruders of Tenite Polyester supplied by EASTMAN CHEMICAL PRODUCTS, INC., subsidiary of Eastman Kodak Company, KINGSFORD, TENNESSEE.

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Jamaican Premier says federation defeat won't affect business—for now

Jamaica's Premier Norman W. Manley said this week that business would feel no immediate effect from the defeat of the referendum on the West Indies Federation last month.

Manley visited New York on his way to London to begin negotiations with the British government. The talks are expected to lead to dominion status for Jamaica by next May.

Most Jamaican businessmen, some labor leaders, and the majority of townspeople favored the federation, which would have linked Jamaica, Trinidad, and eight smaller islands strung out in a 1,000-mi. arc around the Caribbean.

The mass of the rural population opposed it, fearing increased taxation and immigration and thus more competition for jobs. Opponents of the federation also played on feelings of Jamaican nationalism.

Businessmen wanted the federation as a means to expand the base of the economy and increase markets. A customs union or free trade area may still be negotiated. In the meantime, Manley says, Jamaicans will intensify their efforts for industrial development. There has been some holding-back, pending the referendum.

More U. S. businessmen use government shield against risks of investment abroad

Despite the general uneasiness in world affairs, U.S. businessmen are moving ahead into foreign operations, especially in Europe [BW Sep. 30 '61, p100]. But more and more are protecting themselves with U.S. government guarantees against political risks for capital abroad.

The Investment Guarantees Div. of the International Cooperation Administration (ICA) reports that it received 90 insurance applications for the third quarter, up from 63 the previous quarter.

Events in Cuba and the Congo stimulated interest in the guarantees, ICA says. Berlin, Brazil, and now the U.N. hassle are causing more companies to look into them.

Nationalist China to open New York office to spur U. S. investment in Taiwan

The Republic of China will establish an investment information office in New York within the next few weeks to attract U.S. capital to Taiwan (Formosa).

The new office is an outgrowth of an investment law promulgated a year ago. It provides incentives such as tax exemptions, deferments, and reductions. Laws governing remittances and repatriation of capital have also been liberalized recently.

Taiwan is trying to expand its industrial base to reduce its dependence on U.S. aid. According to Finance Minister C.K. Yen, foreign investment in Taiwan totaled only \$6-million a year from 1952 to 1959. Last year, under the new laws, it picked up to \$23-million. In the first eight months of this year, it already totals \$23-million, with capital coming largely from Japan, the U.S., and Hong Kong.

Zinc refineries planned in Mexico would more than double capacity

Refineries now being planned in Mexico will more than double the country's zinc refining capacity.

The government's Mining Development Commission (CFM) has set up a company, Zincamex, S.A., to build a 30,000-ton-per-year refinery next year, with operations beginning in April, 1964. The \$12.5-million plant will be financed and constructed by a Belgian company, Syndicat Belge d'Entreprises a l'Etranger (SYBETRA).

Metalurgica Mexicana Penoles, in which American Metal Climax, Inc. holds 49% interest, also has a project for a 30,000-ton refinery under consideration.

Mexico currently produces 400,000 tons per year of zinc concentrates. American Smelting & Refining Co. processes 100,000 tons of this into 50,000 tons of zinc metal. The remaining 300,000 tons of concentrates are exported to the U.S.

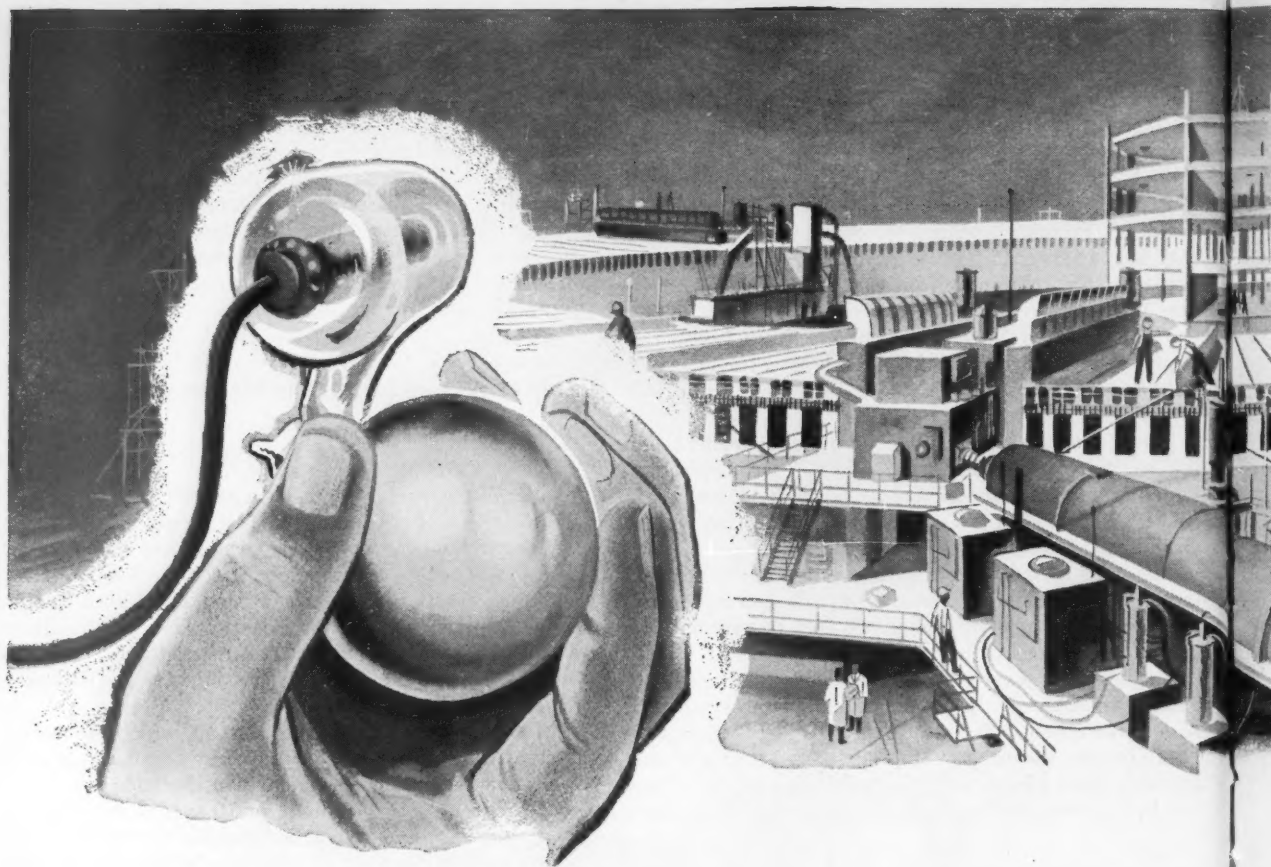
The Zincamex project is part of the "Mexicanization" trend in Mexican industry [BW—Mar. 4 '61, p84], which will put controlling ownership of Mexican enterprises into Mexican hands. Eventually, it is expected that participation in Zincamex will be equally divided among the Mexican government, Mexican private capital, and foreign private capital.

South African company borrows \$30-million from unnamed U. S. institutions

Rand Selection Corp., South Africa's largest investment company, has obtained a \$30-million loan from undisclosed U.S. institutional investors. Harry Oppenheimer, chairman of Anglo American Corp., of South Africa, Ltd., made the announcement last week. Rand Selection is a subsidiary of Anglo American.

This is believed to be the biggest loan arranged by a South African company from private investors abroad. It was raised by issuing unsecured debentures, of which \$5-million is repayable at the end of seven years and the remainder at the end of 10 years. Interest and other costs will average 7% a year. Political and racial unrest in South Africa contributed to the high rate.

Rand Selection was expanded earlier this year with the cooperation of De Beers Consolidated Mines, Ltd., Anglo American, the British South Africa Co., and other mining and financial groups.



RESEARCH

Costly giants of the modern lab

Research equipment, once a relatively modest item, has hit the ceiling with such nuclear monsters as the synchrotron out of reach of all pocketbooks but the government's

A laboratory—even the most advanced and well-equipped laboratory—used to lead off the list of its physical assets with such things as microscopes, oscilloscopes, high-vacuum pumps, and distillation tubes. Investment in research meant buying a reasonable stock of equipment and tools for the scientists; a company could step up its research efforts at relatively mild expense. Until the atomic age, even the best lab equipment was relatively inexpensive and modest in size.

Today, a lab must buy new equipment at an almost fantastic rate to keep up with the tide of scientific developments. A full quarter of the \$12-billion that is being spent this year

on U.S. research and development will go into the books as "new laboratory tools." Hydrogen guns, synchrotrons, optical collimators, ellipsometers, electron beam welding guns, and shock tubes have become familiar names, essential to many labs.

Atom smashers. Of course, only the government can afford to build giant atom smashers such as the 3-billion-electron-volt alternating gradient synchrotron that was completed this year at Brookhaven National Laboratory. This single piece of equipment—that will be used to fire atomic particles at nuclear targets in the study of the fundamental nature of matter—cost \$31-million.

But at an only relatively less costly level, an increasing number of companies have committed themselves to an investment in lab equipment that astounds even the researchers. Take these examples:

- General Electric Co. is completing a \$6-million 54-ft.-high space simulator at its Valley Forge Space Technology Center. In this device, a near-vacuum of one-billionth of a billionth of the earth's atmosphere, temperatures below -300F, and the effects of solar energy in space will all be able to be created simultaneously.

- Lockheed's Sunnyvale (Calif.) plant will put into operation a 55-ton, \$3.5-million "space chamber," de-



signed to duplicate conditions 200 mi. above the earth's surface. It's designed to test Agena, the second stage system used to orbit the Air Force Discoverer satellites, and the Midas infrared early warning satellite. But its 20-ft. height and 18-ft. diameter are large enough for testing other satellite configurations.

Both the GE and Lockheed simulators will be laced with a complex of electronic gear to record, with unprecedented speed and accuracy, the reactions of space capsules to conditions they are expected to meet in near and far space. Banks of computers will gulp down this data and in a matter of seconds report any physical or chemical changes.

Scientists believe that tools of this sort will not only speed the U.S. race into space but will help reveal new facts about solid state matter. This last could be of great value to industry. Thus, the search for materials that can withstand extremes of temperature, radiation, and the shocks of sudden acceleration and deceleration may also, for example, bring the key to why certain types of metals corrode.

Sustained heat. The development of materials is being attacked from a slightly different angle at Republic

Aviation Corp.'s \$14-million Paul Moore Research & Development Center. Republic has just installed a test furnace that can maintain temperatures up to 3,000F for days at a time; previous equipment for testing materials has been able to maintain that sort of heat only for hours or minutes. Of course, until recently science had no reason to worry about long-term exposure to ultrahigh temperatures. The space age has changed all that, however.

As a very real side effect of intensified research, spurred by the government's interests in space, many researchers think that a whole new era of scientific progress will be found in the world of the very hot [BW Oct.10'59,p169] and the very cold [BW Sep.19'59,p67]. Companies, as well as university and government labs, are now being asked to do research that, inevitably, will push the frontiers of basic science far ahead.

Stanford's behemoth. Most fantastic of all the huge new tools of science is Stanford University's \$114-million long linear accelerator that will be tunneled out of a hill at Menlo Park, Calif. The electromagnetic gun, which will be able to fire bursts of electrons into atomic

targets at the other end of a 2-mi. barrel, has been discussed for years [BW May23'59,p32]. Last week, it cleared its final Washington hurdle when a Senate-House conference committee approved a \$26-million appropriation for the first year of construction. Final approval by Congress at its next session is considered certain, and the project should be completed in 1967.

The Stanford accelerator strains the imagination by both size and sheer power. It will be able to accelerate electrons almost to the speed of light (186,000 mi. per second) and to energies of 45-billion electron volts. That means that the Einstein theory will quite literally be turned into reality, with matter created out of energy.

Physicists will have an unparalleled opportunity to delve into the most subtle properties of matter, as they watch what happens to electrons approaching the speed of light and growing in mass as they strike their nuclear targets. This should reveal the so-called fundamental particles, now known to exist in atoms, and any other particles that may have hitherto defied detection.

The meaning. History will probably record the emergence of new



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BALTIMORE

Annual spending on new research equipment could reach \$4-billion by 1965, \$6-billion by 1970 . . .

STORY on page 62

scientific tools as a major development of the mid-20th Century. For the scientists, two meanings are already clear:

- With the right equipment, a researcher can investigate the extremes of the physical world—the very hot and the very cold, the very small and the very large.

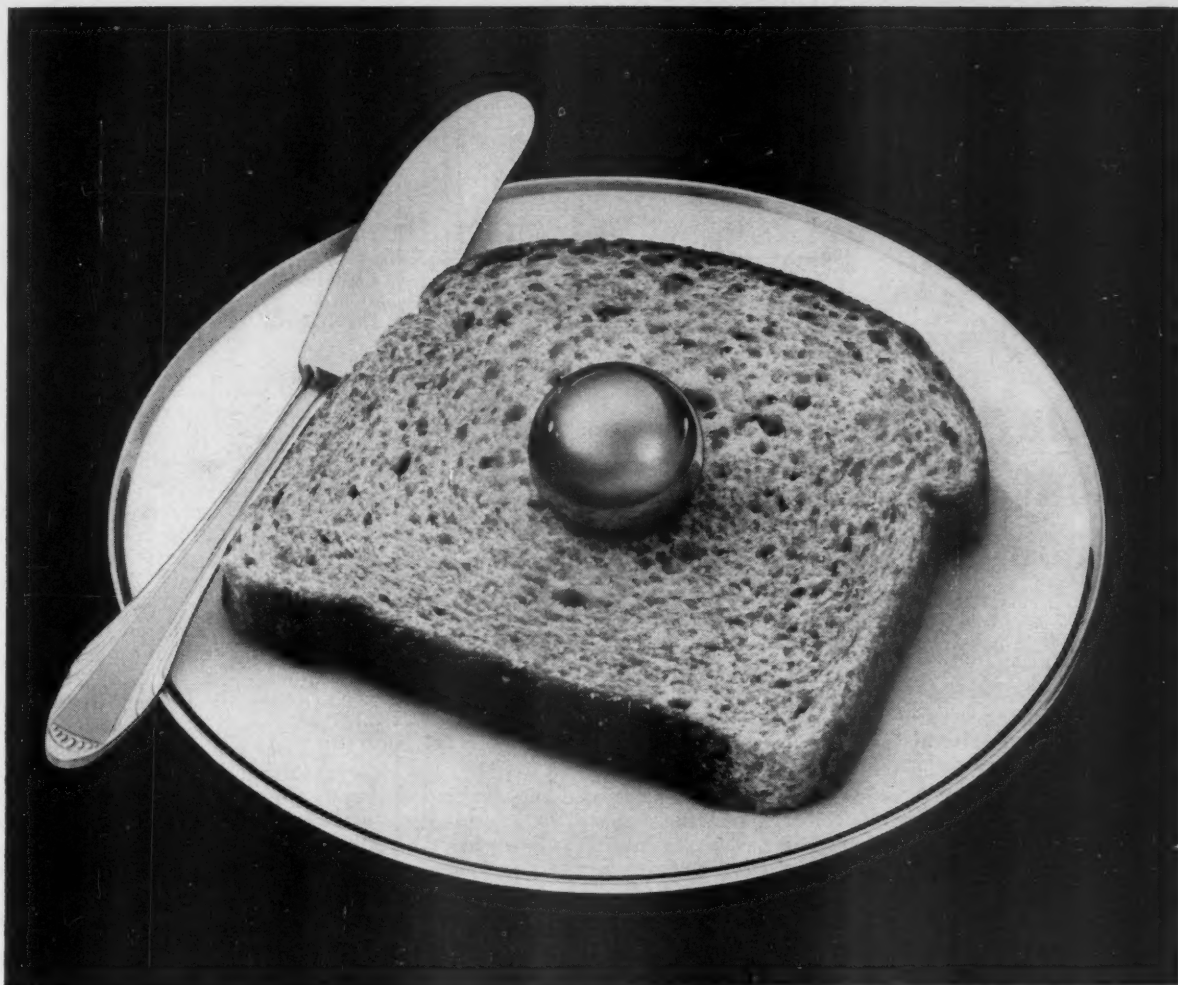
- Many arbitrary barriers between scientific disciplines are being erased. Today, a biologist can have at his disposal the tools of a physical chemist. The organic chemist can secure the tools that enable him full use of the physicist's techniques. The physicist, properly equipped, can be transformed into a competent radiologist.

New uses. Many of the new lab tools are turning out to have unexpected uses, too. The electron microscope, which a dozen years ago extended man's vision down to atomic dimensions, is developing spectacular new uses all the way from medical research to studies of adhesion. The impact of the much later field emission microscope, which makes it possible for scientists actually to break down the atom and examine its parts, hasn't even begun to be felt, yet.

The latest equipment for studying X-ray and electron diffraction costs a lot of money, but it's already in use in some company labs, making possible study of the elementary lattices on which the substance of matter is hung. Nuclear magnetic resonance equipment is available, and casts light on the fine structure of molecular bonds. Emission spectroscopes, mass spectroscopes, activation analysis instruments, and vapor phase chromatography equipment—essential in every research field from plastics to food—is available in a variety and quantity that leaves pre-World War II researchers agape.

Observers, making their projections from the recent pace of technological progress, guess that the annual spending on new research equipment may reach \$4-billion by 1965.

Five years after that, if the race for space continues, total annual spending could easily pass \$6-billion. **End**



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Siegler has produced various Spin Forged components from almost every known metal used in missile and space applications. These include a wide variety of tool steels, stainless steels, aluminum, Titanium, Molybdenum, Tungsten, Beryllium and Mag-Thorium. Insofar as is known, the process is applicable to all metals, including exotic metals that cannot be formed by conventional methods.

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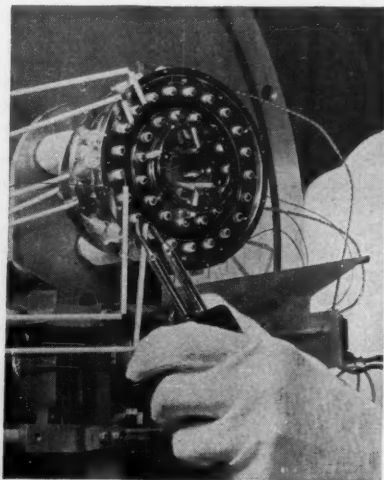
Ion engine starts long test

**Hughes Aircraft lab begins
continuous operation of
device for space propulsion**

A critical step was taken this week in the development of electrical propulsion for spacecraft in the far reaches of space—where relatively small amounts of power are enough to keep a vehicle moving. Hughes Aircraft Co. started continuous operation of its experimental ion engine (picture, below). Up to now the tiny engine—it produces only two thousandths of a pound of thrust—had been run for only a few hours at a time.

Now, the full endurance test should give engineers at Hughes' Malibu (Calif.) labs data to start developing larger and more powerful ion engines. Their present goal: ion engines that can produce a hundredth of a pound of thrust, and that can be clustered to produce enough power for trips to Mars, Venus, and Pluto.

The Hughes engine is one of four ion projects of the National Aeronautics & Space Administration and the Air Force. Hughes and Electro-Optical Systems, Inc., are using cesium as their basic source of material, NASA's Lewis Research Center is using mercury, while Plasmadyne Corp. works on the arc jet principle.



Hughes lab shows off this tiny experimental model of ion engine.

Bouncing radio waves off orbiting belt of wires

Air Force will rocket millions of dipole wires into space, to determine whether such a belt can be used as a reflector for relaying communications

The Air Force sometime soon will orbit a belt of tiny hair-like wires in a narrow band above the earth's atmosphere.

The cloud, or belt, will be the first stage of the government's Project West Ford, a passive communications experiment with a dual purpose. Its job is (1) to determine the feasibility and effectiveness of such a belt as a reflector for relaying communications (radio waves); and (2) to assess possible harmful effects of the belt on other space activities and sciences.

Although no exact date has been announced for the launching—unlike the National Aeronautics & Space Administration, the Pentagon does not announce space shots until 24 hours before the countdown—most observers believe that the millions of tiny dipole (antenna-like) wires will be orbited this month. The Air Force says "sometime this year."

Rocket-borne. To get them into polar orbit, a capsule, containing 75 lb. of the dipole wires, will ride piggyback on either an Air Force Midas or Samos satellite to be launched by an Atlas Agena rocket from Point Arguello, Calif.

At an altitude of about 2,000 miles, a rotating dispenser mechanism will fan the dipoles into a continuous belt around the earth, about 25 miles deep and five miles wide. The dipoles will thread out into a belt in 30 to 60 days. It will be several years before the effects of solar radiation pressures and other natural influences destroy it.

Dipole's mission. Once in orbit, each tiny dipole—about $\frac{3}{4}$ in. long—will act as an antenna, reflecting radio waves back to earth to points thousands of miles from their origin. Unlike other passive reflector systems that have been tried—chiefly high-altitude balloons—the frequency-tuned dipoles should scatter the radio waves over a narrow wave band. Waves bounced off balloons tend to carom off over a wide wave band.

From a communications view-

point this is one of the major objectives of Project West Ford: to determine the transmission characteristics of a space belt of dipole wires and the effect of belt density, wire size, and configuration on relaying radio signals over great distances.

Scientific furor. The West Ford project is promising to communications, but it's causing great concern among astronomers, radar scientists, and some missile men.

Since 1959, when the Massachusetts Institute of Technology's Lincoln Lab began its work on the project, as prime contractor to the Air Force, scientists all over the world have been protesting lustily. The most vocal group is the astronomers, who claim that a dense belt of tuned dipoles in space will probably foul up their celestial observations, especially when using radio telescopes [BW Sep.2'61,p90].

Walter E. Morrow, Jr., heading Project West Ford at Lincoln Lab, feels that this furor is "more emotional than rational," and that the chief concern is not West Ford itself, but the fear that this one test will lead to putting up other belts of immense masses.

One-shot experiment. Apparently these fears at present are groundless. Project West Ford will be a one-shot proposition and not the first of a series of tests. According to Dr. Jerome B. Wiesner, Special Assistant to the President for Science & Technology: "No further launches of orbiting dipoles will be planned until the results of the West Ford experiment have been analyzed and evaluated."

The government also has invited scientists of all countries to cooperate in the study of West Ford "to ascertain the effects of the experimental belt in both the optical and radio parts of the spectrum." And scientific data will be available "as promptly as feasible after launching."

Side effects. When the project was first proposed, the Space Science



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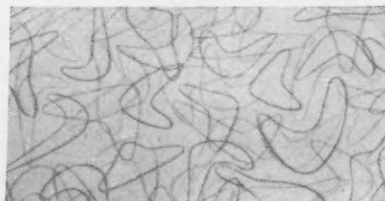
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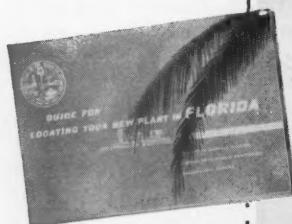
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Board of the National Academy of Sciences was asked to determine whether West Ford would harm or put any limitation on activity in any field of basic scientific research. NAS presented its findings in 1960.

In effect, it found that the West Ford project probably would not have an adverse effect on any branch of science, but that further—and larger—tests along this line might seriously affect radio and optical astronomy, and other sciences in general. NAS also urges that a protected frequency band be established on a worldwide basis for radio astronomy.

Lincoln Lab's Morrow does not dispute the possibility that a dipole belt might cause radio interference, but he points out that the passive dipoles are set to operate in very narrow bands of high microwave frequencies and are not likely to interfere with other types of radio transmission. He adds: "Active communications satellites create a strong field of interference and are potentially a much greater threat to communications."

Visually, West Ford should present no problems. "The background brightness," says Morrow, "is only minimal due to airglow and is far too small to detect even on the best photo plates."

Studies have shown that the wires will constitute a very small hazard to other space vehicles passing through a dipole belt; NAS reports they are no greater a threat than clouds of micrometeorites. Missile men fear that the wires will puncture the skins of space vehicles.

Litterbugs. One of the big objections to West Ford, and to similar projects, is the eventual littering and accumulation of particles in the atmosphere.

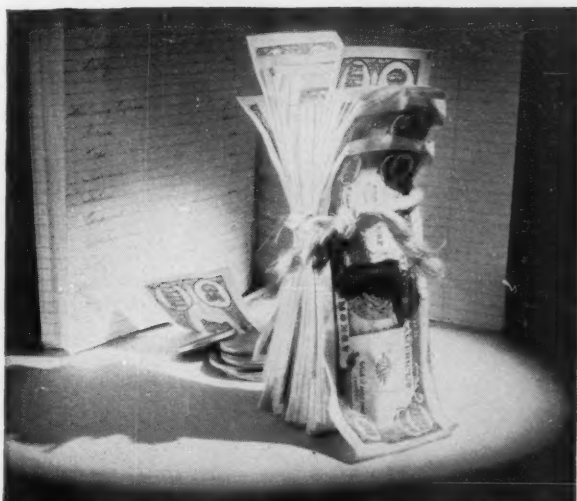
To prevent this, Lincoln Lab is studying a technique to make dipoles of tin, with small amounts of copper and germanium (West Ford's dipoles are copper) that will disintegrate into powder after a predetermined period of time. If future dipole belts are orbited, wires of this material will be used so that heating and cooling will destroy them and solar pressure can easily force the dipole belt out of orbit and disperse the powder.

Morrow feels that the tempest caused in some circles by Project West Ford has been ironic. "Solid propellant missiles," he says, "are likely to throw out several tons of propellant materials into space with each launching. Obviously, they have a much greater mass than the 75 lb. of dipoles in Project West Ford." **End**

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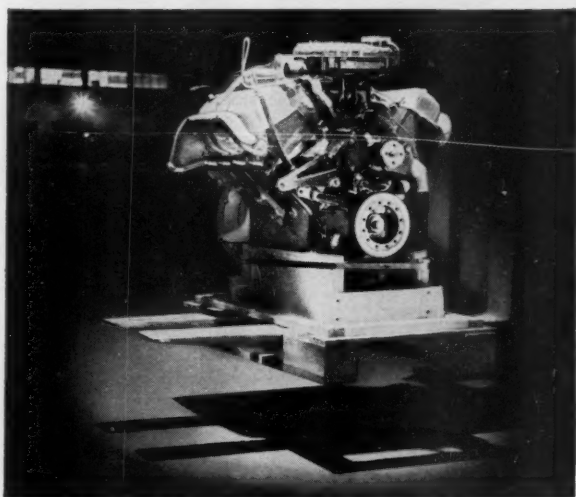
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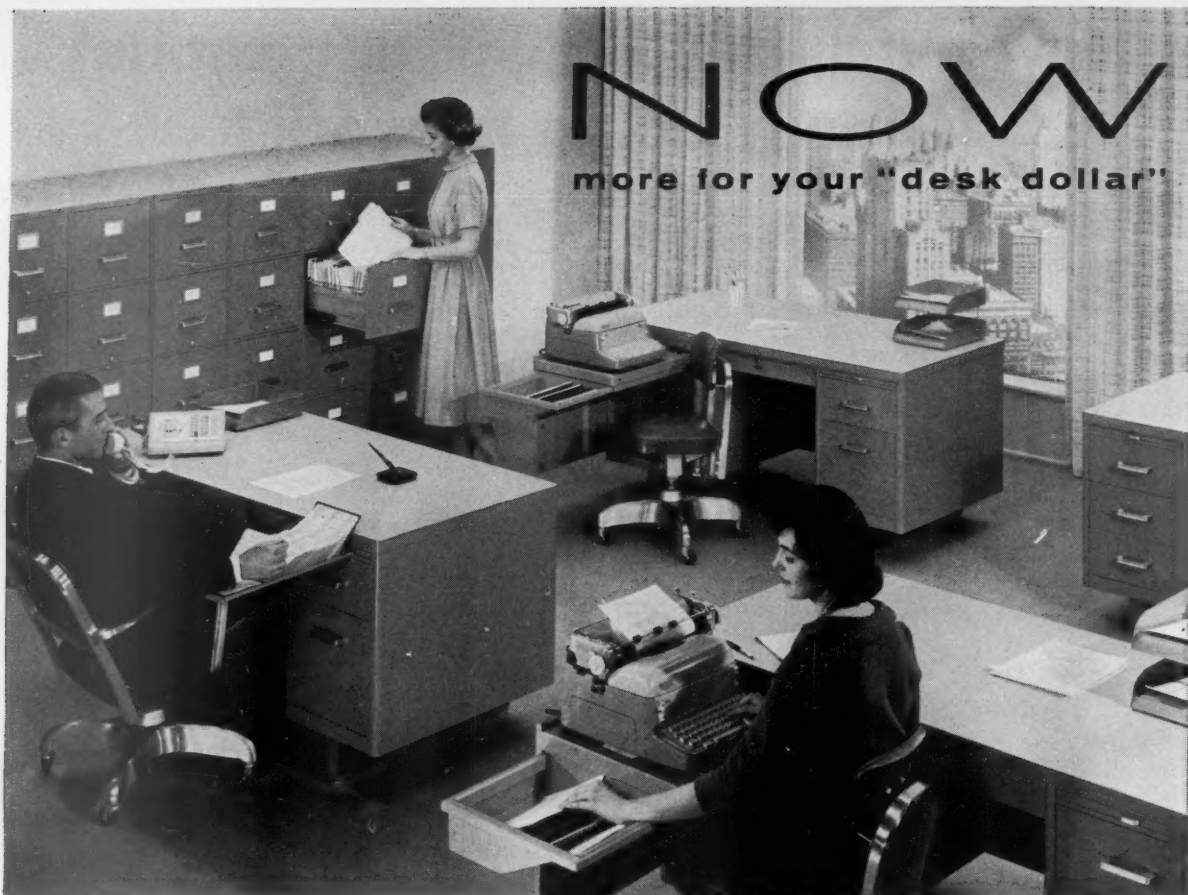


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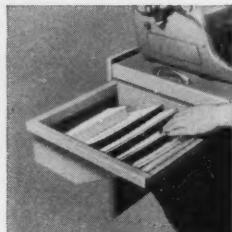
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Air Force creates new division to coordinate life-in-space research

To help speed its research on the problem of sustaining life in space, the Air Force Systems Command has started consolidating all its R&D programs in this field under one management.

A new division—the Air Force Bioastronautics Div.—will coordinate the Air Force's efforts in this fast-developing area of science [BW Sep.23'61,p67]. It is setting up headquarters at Brooks Air Force Base, Tex. For the present, there will be no reorganization or reassignment of facilities or personnel brought under the new division's command.

Basic areas of interest to the Bioastronautics Div., according to Brig. Gen. Theodore C. Bedwell, Jr., its first head, will be the life sciences, human factors, aerospace medicine, the bio-sciences, bio-medicine, the behavioral sciences, space medicine, bio-technology, human engineering and resources, and space biology. Ordered under its control immediately: the Aerospace Medical Center at Brooks AFB and the Arctic Aeromedical Laboratory at Fort Jonathan M. Wainwright in Alaska. Ordered to switch over on Jan. 1, 1962: the Aerospace Medical Laboratory, Wright-Patterson AFB, Ohio; the Aeromedical Field Laboratory, Holloman AFB, N. M.; and the Air Force Personnel Laboratory, Lackland AFB, Tex.

Air Force spokesmen say the move was made to avoid "duplication and improperly oriented efforts" and to encourage exploration of new research areas.

Gas centrifuge regains attention as method of separating uranium-235

The controversial gas centrifuge method for separating uranium-235 from natural uranium is back in the news again with word last week that Garrett Corp.'s AirResearch Mfg. Co. has been awarded an Atomic Energy Commission contract to develop a working model. Garrett's contract is cost-reimbursable and should run close to \$750,000 during its first year.

Only 12 months ago [BW Oct.22'60,p150], Washington was in an uproar over stories that a German company (Degussa) had patented a highly efficient gas centrifuge, capable of separating gases of slightly different weights, and thus of simply separating uranium-235 from natural uranium, which is mostly uranium-238. If Degussa actually had developed such a device, it appeared that anyone who wanted to make his own atomic bombs would have a simple ready-made way of doing it. The AEC immediately slapped a "secret" classification on its own work in the field; the State Dept. asked the West German government to do something about Degussa; and the Bonn government eventually ordered its patent office to declare centrifuge technology a "state secret."

Privately, a number of U.S. companies that have

been working on gas centrifuge developments with their own funds were critical of Washington's reaction to the German reports. There was no reason to assume, this group argued, that even though a working gas centrifuge had been developed, it could separate off uranium-235 pure enough for bomb purposes. They saw a very good chance, however, that it might be used to separate off a uranium-235 concentrate, good enough for making fuel for atomic power reactors. Gaseous diffusion—the method by which the AEC makes its own U-235—will apparently always be extraordinarily complicated. Few countries have the technological knowhow to build such a plant. Many countries, however, already have adequate knowledge to build centrifuges.

Garrett's contract, apart from its importance to nuclear power economics, is thus being viewed as a positive step in industry's campaign to unloose hitherto strict government proprietary controls over centrifuge technology. The AEC has agreed to the proposition of letting industry spend its own money and keep the benefits of its work in developing gas centrifuges. But so far the commission has still not granted any of the licenses requested by companies wishing to set up their own research programs or operate private production facilities using existing centrifuges.

Bethesda researchers find two new leads for early detection of cancer

Two important leads as to how cancers develop in humans were presented this week to a meeting of the American College of Surgeons, in Chicago. Both come out of the National Institutes of Health, in Bethesda, Md.; taken together, they give good reason to hope that, before long, doctors will be able to detect cancer before the symptoms appear and perhaps prevent some forms of it.

In one series of tests, NIH scientists appear to have proof that the presence of free tumorous cells in a surgical wound may not be so dangerous as believed. Studying 111 patients over seven years researchers found that the presence of loose cancer cells in a surgical wound does not significantly affect the chances of a tumor's recurrence. There are not enough loose cells shed in most surgical operations to seed a new tumor, NIH researchers theorize. If this finding can be substantiated, one of the major hazards of cancer surgery may be discounted completely.

In a second study, another group of NIH researchers have come up with a possibly simple way to spot cancer-prone patients—by blood test. Early tests seem to indicate that a substance in the bloodstream of most people inhibits the growth of cancerous tissue. This substance is lacking in the bloodstream of cancer victims. What researchers want to find out next is whether there is a discernible "danger level" of this component in human blood, and whether it can be supplied to those already afflicted with cancers, to check further development of the disease.

Staffing round-the-world jobs

Foster Wheeler picks its men for overseas construction work by their knowledge of engineering rather than by the number of languages they speak

Foster Wheeler Corp. last week sent one of its engineers, Henry Daas, to Zagreb, Yugoslavia, to make a site survey. The week before, an instrument supervisor, a construction engineer, an electrical superintendent, and a piping superintendent all headed out for Turkey from the company's New York headquarters.

During the first seven months of this year, Foster Wheeler "exported" 153 U.S. engineers and supervisors to every continent except Africa. And not long ago F-W employees were on that continent, too—directing the building of a refinery in Durban, South Africa.

Foster Wheeler is only one of a long list of American concerns that ship "expatriate" employees from continent to continent. But unlike many companies that use fancy techniques to test whether personnel fit these overseas tasks, F-W is more interested in whether its men know any engineering than in how many languages they speak. The company briefs its engineers on countries—without subjecting them to a course on North African anthropology, or making them learn Swahili in a few hours.

Special group. Foster Wheeler designs, manufactures, sells, and installs equipment for stationary and marine power plants, oil refineries, and other chemical and industrial plants needing special engineering. The company origins go back to 1891; since the late 1920s it has been increasingly active abroad. Today, its overseas operations are carried on by six subsidiaries.

While approximately 50% of F-W's business is accounted for by foreign billings—total billings have been averaging over \$170-million for the past four years—its "expatriate" personnel normally runs to little more than 10% of the payroll. These men form a very special group.

Typical. Consider the case of Carl R. Wenz. Aged 61 and married, his permanent home is California, but after working for Foster Wheeler in Indiana for two years, he was sent

to Iran to supervise the erection of a refinery, then to Trinidad, then to Colombia for three years, then to Ontario, then to Bataan in the Philippines.

The last was a two-year job involving the clearing of 600 acres of jungle, the management of some 4,500 workers, and the building of a \$45-million refinery for Standard-Vacuum Refinery Co. (Philippines). It also involved a host of special problems not normally arising in the company's Fifth Avenue office.

Finding able-bodied Filipino employees was a formidable task in itself; he had to reject as many as six out of every seven interviewed. What's more, Wenz was under pressure from everyone from the provincial governor to the mayors of all the surrounding towns. To complicate matters further, one of the U.S. expatriates contracted polio. Serum had to be administered to all personnel on site while arrangements were made to transfer the ailing engineer by stretcher and plane to a hospital, first in Manila, eventually in the U.S.

Now Wenz has moved on to Turkey, where he has the job of coordinating the work of 20 other U.S. expatriates, plus 60 supervisors from the United Kingdom, and more than 3,000 Turkish employees. The job is in a remote town near the extreme northeast corner of the Mediterranean. Wenz and his fellow engineers again have special problems.

On top of all the difficulties posed by any large construction job, they must remember not to refer to Turks as "natives." They must ship in their own linens, cooking and household equipment, and, if they're wise, their favorite razor blades. They'll learn to like Turkish coffee, or else. And they'll smoke Turkish cigarettes, too, or bring their own.

Recreation in these distant spots can be a major difficulty, especially for the 50% or more of the men who bring their families. In Mersin, Turkey, an unfinished hotel nearby was leased and converted to a club for "ex-pats," with a swimming pool, tennis courts, pool room, movies once a week, and dancing Saturday night.

Detailed data. But Foster Wheeler's expatriate engineers don't always find the living so good. As part of his preparation for each foreign job, the outgoing man receives details about the conditions he will meet at his new post. Few foreign travelers ever get so much intimate information except through long personal experience. For each project, the F-W personnel department prepares a special bulletin that notes everything from the presence of the common cold to the prevalence of witches. For example:

In certain Pacific islands, "earthquakes occur frequently . . . one major flood occurs each year . . . cockroaches, ants, mosquitos, termites, rats, and mice are constantly present . . . small lizards live on ceilings and walls . . . all types of dysentery are common . . . complete your dental work before going . . . bring a good supply of Band Aids since they are difficult at times to obtain and lesions take longer to heal than in the U.S. . . . storms frequently disrupt telephone service . . . bring washable suits; nylon is too hot . . . socks are often in short supply . . . bring a two-year supply of shoes, and shoe trees . . . the climate breeds mold and mildew . . . radios must be kept in daily use to prevent deterioration."

Or to go halfway around the

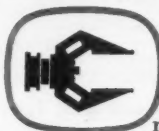


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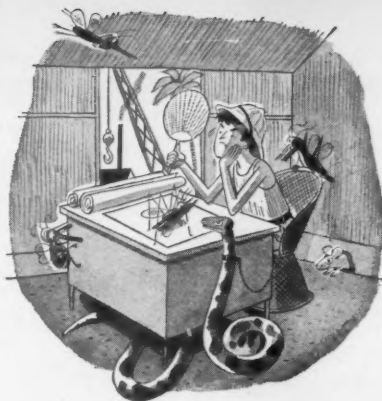
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world again—and Foster Wheeler expatriates do—many engineers have spent years in a part of South America where: "Centipedes and scorpions are occasionally found in the house, and these along with snakes may also be found in the yard . . . records and phonograph provide most of the entertainment for music lovers . . . there are no appropriate schools beyond the ninth grade . . . almost everyone develops heat rash from time to time."

Requirements. Selecting men for the company's overseas construction jobs is therefore a most serious job in itself. Carrying heavy responsibilities for the leadership of foreign nationals, often living and working far beyond the reach of most of the comforts and conveniences of civilization, Foster Wheeler cannot afford to send the young and untried.

What F-W wants—in addition to proven competence as an engineer or skilled craftsman experienced in plant construction—is a good personal reputation "among those who know." While some of its expatriates are men with long and varied experience in the company, and some of these are on regular salary, most accept individual contracts for each job. If they haven't worked as an expatriate at some earlier time for Foster Wheeler, they usually will have for M. W. Kellogg Co., Lummus Co., Bechtel Corp., or some other company engaged in international construction.

Knows his job. Most of all, the desirable man will know his job and get along with other expatriates out in the field, for this is a relatively close community of specialists. In fact, the expatriates are equally concerned to know who will be working with them on a new job.

Once an engineer accepts a contract, he may find that after only a day or two he will be flying down to Rio, or to Sumatra, or Venezuela, or the Philippines, or some other

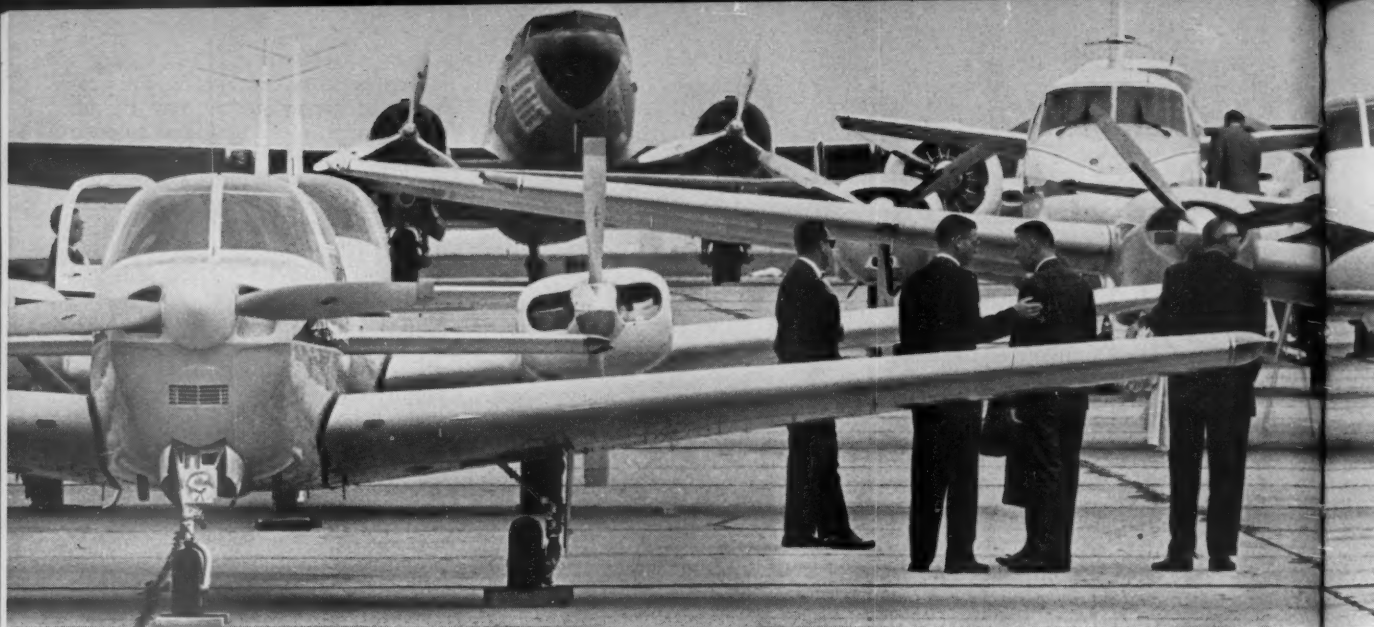
foreign country. Except, for the professional expatriate, it may be no more than a return to a land he once worked in—if not for Foster Wheeler, perhaps for a competitor.

The engineer may go for a couple of months, or a couple of years or more. Chances are he will bring his wife and family if the job will last anything like a year, and Foster Wheeler believes this wise.

Transportation snags. Despite the attractions of strange places for U. S. engineers, Foster Wheeler rarely loses a man—although one expatriate married a French girl and fell so in love with France he won't leave it. The real difficulties are those posed by customs regulations, working permits, and the large burden of arranging transportation for so many employees in and out of every continent.

Its expatriate engineers flew more than a million miles the first half of this year. It's not surprising that Foster Wheeler's transportation office looks like a full-fledged travel bureau complete with travel posters from a dozen countries. But it's still easier to move people than pets. England quarantines dogs for six months; Sumatra won't let them in at all. It's simpler for Foster Wheeler if its expatriates bring the kids and leave the animals in Texas, Oklahoma, and California, "home" for so many of Foster Wheeler's chemical and petroleum plant experts.





Piston-powered planes are part of display staged by aircraft makers at National Business Aircraft Assn. meeting in Tulsa

TRANSPORTATION

Turbine power speeds the company plane

Flying executives are getting excited about the new corporate-size turboprop planes that fly as fast as commercial jets, cost under \$1-million

A private corporate plane used to be quite a status symbol. Now, traveling executives agree that a status symbol loses a great deal of its appeal if it's an older piston-powered job and takes twice as long as a commercial jet to get there.

That's why the sleek new turboprops among the planes that attended the annual convention of the National Business Aircraft Assn. in Tulsa last week (pictures) got such a big hand. Aircraft manufacturers have plainly come to the conclusion that business aviation is ready for the "turbine era."

It's a big market. John H. Winant, president of NBAA—an association of manufacturers and users of business aircraft—and director of industrial relations and aviation for Sprague Electric Co., estimates that some 8,000 multi-engine planes are in use by business. By comparison, there are only about 1,800 planes in the nation's entire commercial fleet.

The turbine engine—both the turboprop and the pure jet—has entered the field with a wide variety of manufacturers each trying to crack what they hope will be a healthy new market. These same people admit, however, that the market probably won't support all of them.

Hot item. Harbingers of this new era of executive travel take several shapes. Perhaps the most exciting to the industry now is the Lockheed JetStar, which was certified only a month ago. The company claims to have more than 40 firm orders on its books. This eight-passenger pure jet flies in excess of 500 miles per hour and sells for about \$1.3-million complete. Krupp Works of Essen, Germany, has the first corporate JetStar flying; Continental Oil Co. will soon take first U. S. delivery.

Under \$1-million. Probably the most interesting discussions at the convention centered around plans by U. S. companies to sell or pro-

duce turbine aircraft for under \$1-million. These new types of turbine aircraft are pressurized, fly between 350 mph. and 500 mph., and are designed from the ground up for executive transport—plus, in some cases, cargo capacity.

In the million-dollar category, of course, turbine-powered planes have been available to corporations for several years. The Fairchild F-27—designed both as a commercial liner and as a corporate aircraft—was the first, in 1957. It flies at 320 mph.

A year later, Grumman launched its Gulfstream, a twin turboprop-powered executive transport. This 350-mph. plane carries 10 to 12 passengers and sells for \$1.2-million. The company says it has sold 70 of them.

For mass market. But the industry feels that its real growth will come in what it calls, in relative terms, the "mass market." At last week's convention, the most heavily attended meeting was a discussion by five companies of their plans for building turbine planes in the \$250,000 to \$500,000 class. What's coming:

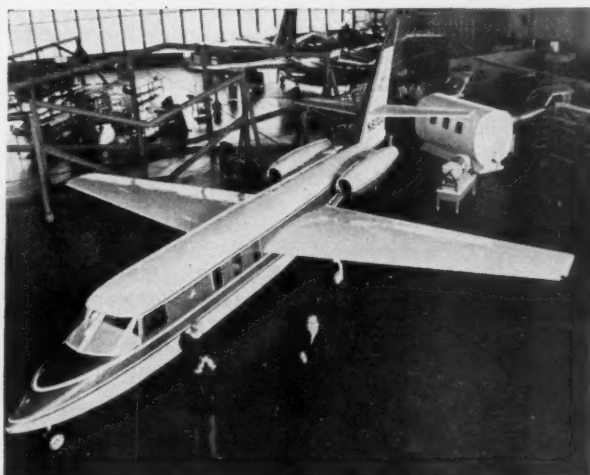
- Aero Commander, Inc., plans to have its 500-mph. twin jet ready for delivery in late 1963. This plane will seat six to eight passengers and sell for a base price of \$475,000 (without electronics, which will run the price up above \$500,000).

- Beech Aircraft Corp. announced plans to build a twin turboprop pressurized plane seating six to eight. The craft will fly at more than 300 mph. and carry a basic list price of "less than \$400,000."

Beech and Aero Commander together have a strong foothold on the



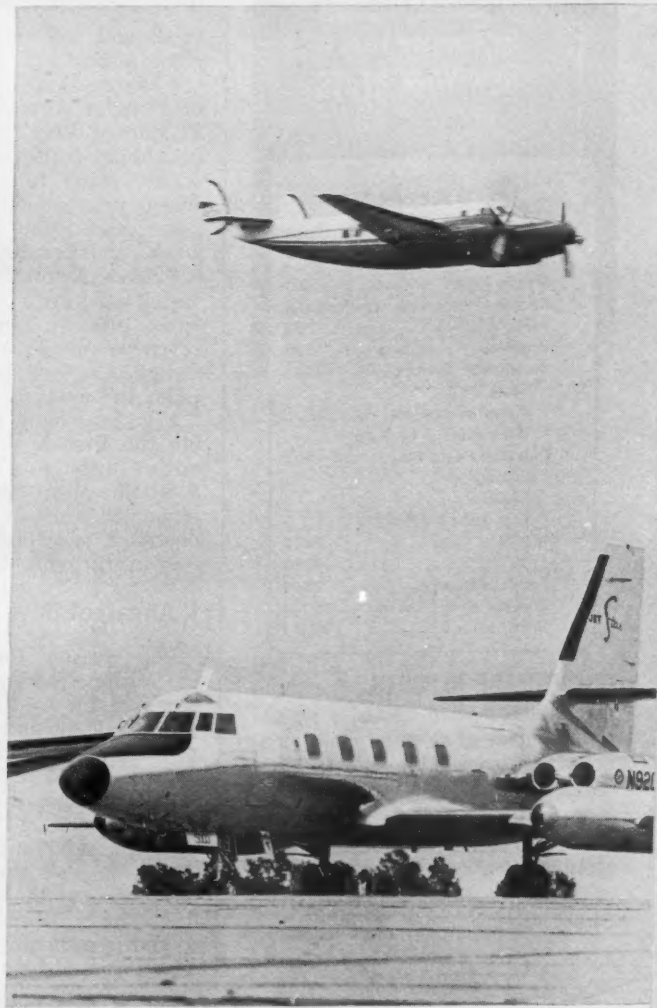
Grumman Gulfstream, owned by Atlantic Aviation Service, Inc., costs about \$1.2-million—including interior, which can range from \$40,000 up to \$90,000.



Aero Commander pure jet mockup at Norman, Okla., is visited by delegates who were ferried there from show.



Lane Riviera, a four-seat pusher amphibian plane built in Italy by S.I.A.I. Marchetti, is priced at \$34,950.



Lockheed JetStar (on ground), a four-engine, pure jet, cruises at more than 500 mph., sells for about \$1.3-million.

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TAILOR-MADE REPORTS. The table of contents shown above is typical of the survey of selected plant locations that we will prepare for your organization. Simply send your specific requirements on your business letterhead to Commissioner Keith S. McHugh, New York State Department of Commerce, Room 3307, 112 State Street, Albany 7, N. Y.

Keith S. McHugh

Keith S. McHugh, Commissioner
New York State Department of Commerce



Multi-engine planes on display range from DC-3s (about \$100,000) to converted bombers (\$500,000), Howard 500s (\$700,000) to JetStars (\$1.3-million).

small and medium-sized corporate plane market.

■ Douglas-Piaggio, a combination of Douglas Aircraft Co., Inc., and Piaggio of Italy, plans a 520-mph. (maximum cruise), five-to-eight-passenger plane to sell for \$500,000 (basic price). Douglas, which will have sales rights in most of the world, aims for 1963 deliveries.

■ Swiss American Aviation Corp. says it will have a 500-mph.-cruising-speed plane in 1963 that will carry seven people. The twin jet is being designed to sell for \$350,000 with radio and interior.

■ Turbo Flight, Inc., will distribute the French Potez 840, a four-engine turboprop that will sell for \$460,000 plus \$40,000 duty. The plane will cruise at 325 mph. A demonstrator is expected in the U.S. next April, with deliveries in 1963.

I. Ahead of time

The reason for the big shift to turbine-powered planes was summed up by Thomas J. Harris, vice-president and general manager of Aero Commander: "The airlines forced us into it."

"The airlines made us jump," he said, "by getting the executive used to flying at 500 mph. on commercial jets." He feels this pressure forced his phase of the industry into turbine power "ahead of time."

Harris estimates that the total demand for turbine-powered aircraft will be about 1,000 by 1970.

Faster planes used by the airlines caused another shift in the executive aircraft business, industry people

say. Whereas they once functioned as a trunkline service to taxi personnel around to different offices and plants, they're now also being used as a feeder line service, to carry executives to airports where jets land.

Landing problems. One of the big bugaboos in the turbine aircraft business is the landing distance required. Generally, the new class of small jets needs some 4,000 ft. of runway. This cuts out a vast number of airports and grass strips in the U.S.

Still, there are enough airports available to make the turbines appealing. For example, only about 600 airports have commercial airline service. About 6,000 can accommodate the new turbine-powered small craft, one manufacturer estimates.

II. The tool concept

These changes in the corporate aircraft picture are just a few of those that have developed since World War II. Perhaps the most significant has been the change in use, says B. L. Horton, of Horton-Horton, a Fort Worth aircraft interior designer. "Formerly, when the owner or president of a company used the plane, it was considered a plaything," he says. "Now the airplane is becoming a tool—just like a wheelbarrow."

After World War II, there was a dramatic growth in the number of large corporate aircraft. Companies could buy used military planes for a fraction of their original cost, and there were business and tax advantages in owning a plane.

In the 1950s, however, the cor

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W. P. MARSHALL, President

1201 (4-60)

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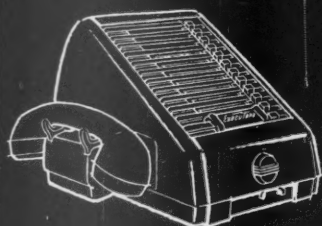
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pany auditor—along with the Internal Revenue Service—started looking at the planes, and the plaything really started going to work.

Stripped of glamor. Aero Commander's Harris for a long time has preached that "a company will spend \$100,000 for a machine tool for an hourly worker to use, but it equips its president with \$3,000 worth of furniture and wants him to make the company work. Companies are going to have to learn that an airplane is just a tool—there isn't any glamor, it is just a tool."

Now, with the new jets entering the picture, companies are taking another look at the use that they make of their planes. Operators attending the NBAA meeting agreed that in most instances a company uses its aircraft only along routes not served by jets.

Pilots whose companies are buying the new generation of planes say the new models will not necessarily replace any of the smaller planes in the present fleet.

A steel company that now operates six multi-engine planes (ranging from a Martin 404 to a Twin Beech) is considering a Grumman Gulfstream. If the company buys the turbine plane, it probably will get rid of one of the big planes—a DC-3, say—but keep the smaller ones.

Modesty prevails. The reluctance of pilots to talk about acquisition of the big planes is a manifestation of the corporations' reluctance to be identified as aircraft operators. Grumman estimates that of the more than 70 planes sold so far, "maybe 12 have any kind of identification on them." Aero Commander says about 70% of its planes are not identified.

Most aviation people agree that while the management of a company can sell its decision to buy an expensive airplane to its board, "they are scared to death of their stockholders."

Office pool. In the past, the plane was reserved for the president or the chairman. More and more companies are shifting from this assignment pattern to a pool arrangement. This is becoming apparent in the decor of plane interiors. Horton says that about half of his orders lately are for interior furnishings that can be removed in order to convert the plane to a temporary cargo carrier.

Time pattern. In a Beech Aircraft market study, Leddy Greever, vice-president for domestic sales, says: "Our studies indicated that . . . the majority of business flights were less than 500 miles."

This has caused at least one manufacturer to take a long look at the nature of the customer. Harris be-

lieves that the 500-mi. average trip indicates that the average executive is willing to sit in one place for 2½ hours—and with the new type of plane his area of operations can be extended to 1,000 miles.

This extended range, all agree, will increase the flexibility of the operator who uses the plane as a sales tool. Several operators estimate that 20% to 25% of their flying is to transport customers. "People will fly in an executive plane, but they wouldn't accept an airplane ticket," says one.

III. A new breed

The new jet fleet, and for that matter several of the smaller planes introduced in recent years, reflects a new generation of airplanes. Grumman and Lockheed estimate that their planes will have a 15-to-25-year life—which is not unusual when you consider that the DC-3 has been flying for about that long. In the future, they say, planes will have a basic airframe that can be modified and kept up to date. (Grumman, for example, is rumored to have plans to put pure jet engines and new wings on the basic Gulfstream sometime in the future.)

Manufacturers feel that the current business fleet—including DC-3s, Lodestars, B-23s—has reached the end of its design life. The planes that were built during World War II as bombers bear little resemblance to their luxurious remanufactured cousins. But the remanufactured plane is still a modification of a 20-year-old plane.

Company needs. But whether—or how soon—a company switches to jets will depend on its needs, and in some cases on the Internal Revenue Service.

Sprague Electric, for example, has four Twin Beeches for business flying. The company headquarters is in North Adams, Mass. There is no train coming into the city. So Sprague Electric uses the planes on a 24-hour basis, for transporting people between the plants. Robert C. Sprague, Jr., executive vice-president, says the average flight is 50 min. His company could not benefit substantially by having a jet.

"The IRS has our management scared to death—they are quite loud in their announcement as to why they are going someplace if they put their golf clubs in the plane," says one company pilot.

Bell Helicopter Co. has received many inquiries from companies thinking about buying a jet; they want a helicopter to get the people from the airport into town. **End**

President, The Standard Oil Company (Ohio)

**Charles Spahr tells
why he feels
Cleveland-Northeast Ohio
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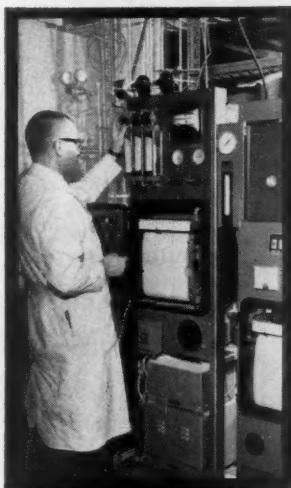
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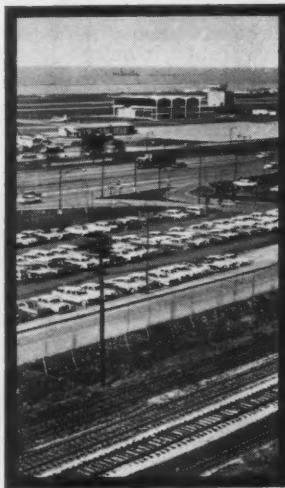
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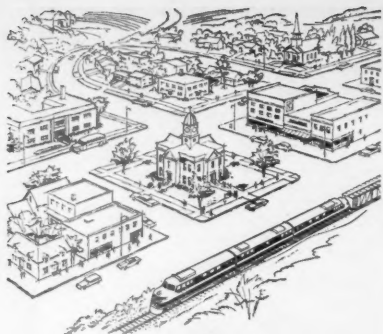


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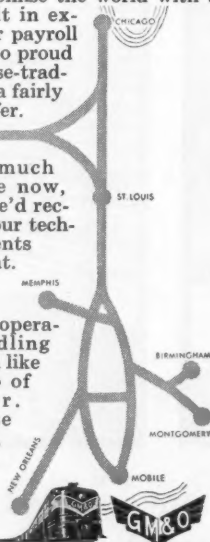
- It isn't a depressed area, although its people get pretty blue at times over the way the Democrats and/or Republicans run the country.

- It really hasn't the best people in the world—just some of the best, along with the usual quota of pretty ornery ones, but most of its people are old-fashioned enough to give a good day's work for a good day's pay.

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Gulf, Mobile & Ohio
RAILROAD



Workmen move track to permit lowering of tunnel floor and deepening of approach for Chicago, Milwaukee, St. Paul & Pacific RR on its main line to the Northwest.

Milwaukee road digs deep to fit tunnels to freight

Although income is slim, the railway spent \$800,000 to deepen 31 tunnels in effort to win back auto, 'high-wide' loads lost because of clearance problems

The Chicago, Milwaukee, St. Paul, & Pacific RR has just completed an \$800,000 project it could scarcely afford—gouging out some 2 ft. of earth from 31 tunnels and tunnel approaches scattered over five relatively inaccessible mountain ranges in the Pacific Northwest.

For its money, the Milwaukee road is getting 7.54 mi. of railroad line that rests 6 in. to 24 in. below where it stood five months ago.

Industry problem. Quick arithmetic shows that the project cost the railroad \$106,100 per mile of improvement. It also points up one of the problems besetting much of the railroad industry today—spending sorely needed cash for additional capital improvements, or losing the ability to compete.

The Milwaukee had to spend the money even though its net income was down to \$1.3-million in 1960, the lowest it has been in 20 years.

Otherwise, the Chicago-based carrier faced the loss of auto transport business and of revenue from carry-

ing "high-wide" loads and the companion traffic they bring in.

Expensive loss. The Milwaukee road was among the first carriers to haul autos on flatcars in the railroad industry's battle to regain auto transport business from truckers [BW Dec.17'60,p54]. But when the auto makers turned to trilevel racks as the most efficient rail transport, the Milwaukee was stymied from carrying cars on the long-haul run to Spokane and Seattle.

In addition, a survey conducted by the road's research department last fall showed that during a six-week period the Milwaukee had to refuse 400 high-wide loads. Total revenue loss was about \$80,000.

The Milwaukee has a total of 46 tunnels on a 726-mi. stretch of its main line in the Belt, Rocky, Bitterroot, Saddle, and Cascade Mountains. To accommodate triple-decked loads of autos, floors had to be lowered in 31 tunnels and the power line for electric locomotives raised in 36 of them. **End**

More news about labor:

Page 92, Today's new brand of career woman

Page 99, AFL-CIO hints war on Teamsters

Labor board reverses earlier stand, approves the agency shop

The agency shop—which requires nonunion workers to pay the equivalent of union dues and fees to a union but not join it—has been given a green light by the National Labor Relations Board. A four-member NLRB majority last week held the agency shop to be a legal bargaining demand under the Taft-Hartley Act. This reversed a past policy.

The ruling means that General Motors Corp. must negotiate on—though not necessarily accept—an agency shop demand by the United Auto Workers for 14,000 people employed under UAW contracts in GM plants in Indiana.

UAW has union shop contracts (which require all workers to join the union) in most states. Indiana is a "right to work" state and workers cannot be compelled to join UAW or any union in order to hold a job. The agency shop plan is an alternative pressed because unions contend nonunion workers who share union benefits should be required to share union costs.

During the Eisenhower Administration, NLRB barred unions from pushing agency shop demands; the board held it to be an improper objective under the federal labor law. NLRB member Boyd Leedom, the sole dissenter last week, still contends it is "for all practical purposes" the same as requiring nonunion workers to join a union in a state that bars compulsory unionism.

The majority position reflected the more liberal views of new members named by Pres. Kennedy. It's expected to be a forerunner of other policy shifts.

Deere & Co., UAW reach agreement that's similar to GM contract

The general principles of the General Motors Corp. labor contract were applied last weekend in the farm equipment manufacturing industry as Deere & Co. and the United Auto Workers reached an agreement covering 15,000 workers in eight plants. Early this week, UAW was pressing for similar terms from International Harvester Co. and other companies.

Deere granted pay raises of 2½%, with a minimum 6¢ in each of the three years of a contract running to Oct. 1, 1964. UAW says the raises will average 7½¢ an hour each year. Deere agreed to pay the full cost of its hospital-medical plan, saving employees about \$6.50 a month. And it boosted pensions, increased sup-

plementary unemployment benefits, and agreed to a GM-pattern plan to pay for hours not worked in short work weeks.

San Francisco soft drink bottlers buck strike by the mighty Teamsters

San Francisco Bay soft drink bottlers have taken on the International Brotherhood of Teamsters in a dispute over wages and arbitration policies. Their stand against the James R. Hoffa-led IBT is the strongest challenge of Teamsters power in recent years (page 99).

A Teamsters strike began in late September. Since then, bottlers have recruited nonunion delivery drivers for their 15 plants and defied picket lines with continuing operations. The Teamsters retaliated last weekend with threats of a general strike of drivers in the area and with a boycott that has cut into deliveries.

Concerned over "the potentially explosive situation," Mayor George Christopher stepped into the dispute to get negotiations moving again. They have continued fitfully since then.

The 500 striking drivers, who now make \$121 to \$125 a week, want 50¢ an hour in raises over the next three years. The bottlers have offered 20¢. The IBT also is demanding an end of compulsory arbitration. The employers insist that it stay in contracts.

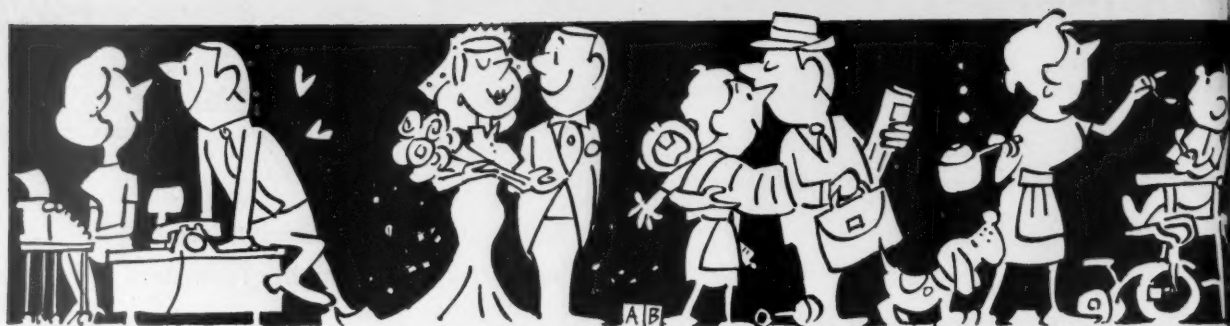
Administration seeks to end strike that ties up 29 ships on West Coast

About 29 ships, including the liners Lurline and President Cleveland, were tied up in West Coast ports this week by a strike of the Masters, Mates & Pilots against the employers' Pacific Maritime Assn. The stoppage was the only one after the expiration of a Taft-Hartley injunction used to halt nationwide maritime strikes earlier this year.

Although initially small, the MMP walkout worried the Administration. Labor Secy. Arthur J. Goldberg intervened with phone calls to both sides, urging peace talks. Under Secy. of Labor Willard Wirtz, William Simkin, director of the Federal Mediation & Conciliation Service, and James Healy of the Administration's maritime factfinding panel flew to San Francisco with an assignment to seek the "earliest possible settlement" of the dispute.

Key issues of many still unsettled early this week were a union demand for steps to ease the effects of unemployment on its members (900 of 2,300 have been idle) and PMA's efforts to standardize its maritime contracts.

The association of 13 companies operates 136 ships on the West Coast. As what the MMP called the start of an "orderly halt" of shipping began, it said that 80 vessels would be tied up if the strikes lasted through this month.



Back from the home to business

That's what more and more college women do after raising a family; business isn't eager for them, but more jobs are opening and they're climbing higher on ladder

The American woman college graduate, after her years of child-rearing, is emerging from her home in increasing numbers today to re-enter the man's world of work.

She isn't finding the welcome very warm. But despite the reluctance of businessmen to hire her, she represents an unmistakable—and probably unstoppable—trend.

Right now women make up one-third of the labor force, with educated women holding proportionately a bigger share of the jobs. One of every three married women works—and the number of working wives has increased by 725,000 in the last three years alone, according to Labor Dept. figures. By 1970, it's calculated there will be 25% more women in the labor force than now, only 15% more men.

Secretarial work, of course, remains women's gateway into business. But more and more women are climbing into other jobs and higher ranks. Increasing numbers hold professional and semiprofessional jobs in retailing, banking, insurance, investment, and real estate.

In retailing, says the employment manager at Joseph Horne Co., large Pittsburgh department store, "the sky's the limit" for women. In the financial field, you find women not only behind tellers' windows in banks, but at weekly meetings of the Boston Security Analysts Society and as brokers' representatives in Detroit.

Manufacturing is still the field in which it is most difficult for a woman to find a responsible job. But

wherever skilled personnel is scarce, industry is beginning to overlook its traditional objections.

I. New pattern

There's a change not only in woman's place in business, but in her basic career pattern, which arises in turn from a change in family patterns.

Since World War II, women have been getting married younger and having children sooner. By the best guesses of population experts, the average last-childbearing age is now under 30. That means a woman's children are well established in school by her late 30s, and are in college by the time she is well into her 40s.

She may, as one employer put it, "be coming up for air after 15 years of housewifery. After all, wasn't she educated for something other than childbearing? And isn't she still young?"

It used to be that the woman college graduate took time out between college and marriage for a job. Now she has begun to think in terms of taking time out from her job to raise a family.

Why they work. Some women over 35 reenter the job market out of a sense of frustration. The children are in school, today's appliances make housework a part-time task, kaffee-katches and PTA meetings fail to fill the void. "She wants to get back in the stream of life, especially if she worked before marriage," says the industrial relations

vice-president of a Los Angeles electronics company.

Sometimes there are financial pressures—a hankering for a better home, a second car, a European vacation, and, in a great many cases, the need to help send the children through college. "Many women reflect this pressure . . . the constantly increasing premium placed on a college education," an insurance company personnel officer notes.

Other employment officials mention "the tension of the times, that drives women to work to occupy their minds." Still others find a growing number of women inadequately provided for—widows, divorcees, deserted wives, and wives of handicapped, ill, or alcoholic husbands.

New opportunities. On the other side of the picture, the next few years will see a scarcity of young adults in their late 20s and 30s, the result of the low birth rates of the Depression. And—of particular interest to college-trained women—increased military requirements will undoubtedly reduce the supply of men in younger management and technician levels.

At the same time, there is a growing recognition of the country's need to use fully its population resources.

"We spend millions of dollars to train women in every conceivable field of intellectual endeavor," says Constance Smith, director of Radcliffe College's new Institute for Independent Study, "yet we seldom bother to see whether we're getting a fair return on our investment."



Many millions of women, she comments, are still "incarcerated in all-electric split-level isolation booths."

The institute Miss Smith heads is a pilot program to assist exceptional women in pursuing scholarly, creative, or professional work.

II. What's wrong with women

So far, women themselves appear to be more aware of their potential role in the labor force than industry, which doesn't really want them yet.

Placement agencies and personnel men throughout the country report that the married, college-educated woman of 35 and over is becoming a familiar figure in their offices. More often than not, they say, industry turns her down, or offers her the kind of clerical jobs she's apt to turn down.

Why the reluctance? One reason is the attitude, still common in business, expressed in a Detroit employer's quip to a *Business Week* reporter: "Women belong in the home. Now what are your questions?"

But other objections are founded on more practical considerations.

"It's not that I'm prejudiced against women," a Midwestern businessman insists. "I'm scared of them. I can't count on any job longevity."

A West Coast employer adds, "If she's unmarried, she gets married. If she's married, she gets pregnant. If she's divorced, she remarries."

"The trouble with women employees," says a Portland, Ore., manufacturer, "is that they always move for their men. Whether it's marriage, divorce, military service, or a transfer, the woman is always the one to give up the address."

Outdated. But this high turnover rate is mainly a sin of the young, these same employers point out in the next breath. The older woman tends to stay put. And she has special qualities to recommend her, they agree: maturity, reliability, loyalty.

So why doesn't she get hired?

Time and again, employers give the same answer—because a 15-

year-old college degree and outdated skills are no more help to a woman than they would be to a man. In technical areas, the only experience of value is recent experience. In all areas, the jobhunter who worked last—if at all—15 or 20 years ago is under a severe handicap.

The woman who is truly skilled in a particular field and has managed to keep in touch with her specialty finds a job easily, placement officers agree. As for the others—

"We would consider employing a college woman who prepared herself with recent concentrated training either in her college major field or office skills," the Portland employer says warily.

Industry itself is seldom willing to train a woman on the job or in the executive training programs open

to male college graduates. If a company can't use her skills immediately, it won't hire her at all. The same attitude reduces her chance of promotion. Many employers won't give a woman a more responsible job until she has proved she can handle it; a man gets the job, then is given time to prove he can do it.

Personality problems. Personnel men also find many older college women unprepared for the hard realities of working life, and unrealistic about their worth to industry. They look for the "interesting job," says a West Coast employment manager, instead of analyzing their skills and abilities and setting out to sell them.

The best route to a position of responsibility for older women re-entering business is often through secretarial work; a competent older



(Advertisement)

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secretary has a good chance to become an administrator, though seldom an executive. Yet these women tend to seek jobs in public relations or outside sales, even though they have few qualifications, the head of a St. Louis employment agency says; and few will accept clerical or secretarial positions for which previous volunteer work would fit them.

Some companies, needing secretaries badly, offer refresher courses. In California, Lockheed Aircraft Corp. lets promising applicants use company typewriters and records for two weeks' typing and dictation practice. A high percentage then make the grade.

Personnel men report other difficulties. "Because they did go to college over 20 years ago, they expect special consideration." "They're used to running things at home and think they can do the same in business."

And women don't like to work for other women. This makes it doubly touchy to put a woman in a supervisory job, since men don't want to work for women, either.

III. How high on the ladder?

Despite all these drawbacks, more than three-fourths of the women college graduates now working hold professional or technical jobs, according to the figures compiled by the Women's Bureau of the U. S. Labor Dept. Of course, almost half of these are teachers, and a large number are in social and nonprofit work—both traditionally women's fields. But the professional and semiprofessional jobs in business, finance, and real estate are growing.

More and more women are becoming real estate brokers—a job particularly suited to married women because it can be done on a part-time basis. In Cincinnati, women have won a Sales Person of the Year award for the past two years.

In retailing, women may climb to high positions in merchandising, in management, in the comptroller's area, or in advertising, according to the employment manager at Pittsburgh's Joseph Horne Co. department store.

Government, too, offers a growing opportunity, with 60 career specialties open to women.

Manufacturing lag. Whether a woman is young or old, single or married, with or without a college degree, it's in manufacturing that she has the most difficulty in finding a responsible job.

"A woman just can't move about as freely as a man," says one manufacturer.

"How could we hire a woman as a management trainee when the rule is that all trainees must put in six months in the mill?" asks a Pittsburgh steel man.

Where a woman does break into a manufacturing job, it is generally with a small, newly established company, where the organization is flexible and job descriptions haven't been frozen. Up to now, the rare woman manufacturing executive has won her status by the long, hard road—like Mrs. Ione Clark, vice-president of Uncle Ben's, Inc., rice mills in Houston, who started as a secretary.

Double standard. In almost all fields, the double standard applies to job titles and salaries. One Midwestern personnel expert estimates that women average 86% of men's salaries for identical jobs and skills. Nor are job titles commensurate with their tasks.

"The waste of the American woman is more apparent in the use of women's abilities for higher level jobs than at the point of original hiring," says Ada Mostocvy of the Illinois Dept. of Labor. A woman may do the work but not have the title; she may be assistant director but not director. "It's a question

of accepting the female in certain roles.

Women are partly to blame for the implicit assumption that they don't need to make as much money as men, according to Mrs. Esther Peterson, Asst. Secy. of Labor, director of the Women's Bureau and herself a prime example of the college-educated, older woman with children and a job. Women will take low-paying jobs because they gauge their value by unpaid domestic work, she says.

A St. Louis incident illustrates the salary differential. An industrial advertising agency, which had sought a senior account executive at a five-figure salary, hired an eminently qualified woman—at \$9,000. If she had asked for more, says the personnel man who placed her, "the company would have kept right on looking for a man."

Scientific equality. This wouldn't have happened if she had been a skilled scientific technician, a specialty where the double standard has all but disappeared. "We have instances where a woman scientist makes more than her male supervisor," a national drug manufacturer says, "because in the scientific departments we consider the scientific function worth more than the managerial function."

In general, wherever skilled personnel is scarce, industry overlooks its objections to women, even abandons the double standard.

IV. Preparing for the job

The opportunities are there, personnel experts emphasize—if only college women prepare themselves to take advantage of them.

"Women have got to use more ingenuity to spot the things they could be doing instead of thinking the world owes them a living," says Mrs. Mary I. Bunting, president of Radcliffe College and a pioneer in



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To help your production and cost accounting people figure the *true cost* of steel stocks, ask your steel service center salesman for the booklet, *What's Your Real Cost of Possession for Steel?* Or write to Steel Service Center Institute.

COST OF POSSESSION . . . to determine your own cost of possession for steel in inventory, consider all these factors:

Cost of capital: inventory, space, equipment

Cost of operation: space, material handling, cutting and burning, scrap and wastage

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the move to put educated women's talents to use.

A number of training and study programs are being developed.

Radcliffe's Institute for Independent Study offers fellowships to women who have already made significant contributions in their special fields. Twenty-one received fellowships last year.

The University of Minnesota has launched the Minnesota Plan for Women's Continuing Education. It offers no funds, but helps older women update their training and sharpen their professional tech-

niques. In its first year, 410 women took part. The University of Kansas City plans a similar program.

In Boston, Northeastern University investigates industry's needs, sets up courses to meet them. In Washington, the Dept. of Public Health has established a pilot program of training in lay psychotherapy.

Part-timers. What married women want most—permanent part-time work—is hardest to find. Many educators feel industry could gain by experimentation in this field [BWW Jul.15'61,p47]. Polaroid Corp. of

Cambridge, Mass., for example, reports good results from keeping on skilled women employees part-time after they have had children.

Two enterprising young married women, discouraged at the part-time outlook, have opened Part Time Research Associates to match feminine talent with industry needs. With New York and Washington offices, they report satisfied customers placed in advertising and public relations agencies, newspapers, radio stations, law offices—but more womanpower available than places to use it.

Federation war with Hoffa?

Executive council of AFL-CIO will weigh proposal by Beirne that it start its own union for truck drivers. But some chieftains favor taking the Teamsters back into the fold

AFL-CIO leaders next week will face the fateful decision of whether to test the vaunted power of the International Brotherhood of Teamsters—the union they expelled nearly four years ago on charges of corruption.

Since the big truck union's ouster from the federation in December, 1957, the Teamsters and the union's Pres. James R. Hoffa have grown significantly stronger. AFL-CIO has shied away from any move that could lead to membership warfare between the two labor organizations.

When the federation's 29-member executive council assembles in New York for its quarterly meeting, a formal proposal to go into battle with the Teamsters will be on the agenda for the first time. Hoffa already has warned that such a move will mean "all-out war" with his 1.6-million-member union.

New union proposed. Joseph A. Beirne, armed with a fight-the-Teamsters resolution from his Communications Workers of America, will urge fellow executive council members to establish a new truck drivers union within AFL-CIO. With an initial pledge of funds and manpower from CWA, Beirne will propose the formation of a "Truck Drivers Organizing Committee" to go after Teamsters members.

Beirne, admittedly, faces a wide divergency of opinion within the council. There will be some backing, but opposition will come from building trades leaders who currently

deal with and prefer their informal alliances with the Teamsters and those who want immediate readmittance of the Teamsters to the AFL-CIO, such as National Maritime Union Pres. Joseph Curran and Michael J. Quill of the Transport Workers Union.

Early this week, Quill called for the readmission of the IBT in his keynote address to a TWU convention in New York. Hoffa is "clean" now, Quill said, and there is no reason to keep him and the Teamsters out of the House of Labor—plenty of reasons to bring them back inside.

The Quill position brought a quick retort from Labor Secy. Arthur J. Goldberg, who as a counsel for the federation in 1957 was influential in the clean-up efforts that led to IBT's ouster.

Goldberg expressed his opposition to Hoffa firmly in a message to the TWU convention. "Hoffa's kind of leadership is not good leadership for the labor movement," by AFL-CIO standards, the Labor Secretary said.

Meany's position. This position is shared by AFL-CIO Pres. George Meany, an outspoken foe of Hoffa. Up to now, Meany's tactics have avoided a direct AFL-CIO challenge to the IBT. This time, Meany's aides report he has his own proposals to offer.

The decision to "do something about the Teamsters" stems from recent anti-Hoffa moves within the union. Rebellious Teamsters officers in Cincinnati have led 4,000 truckers

out of the Hoffa union and anti-Hoffa moves have shown up in Chicago, St. Louis, and other cities. Beirne wants to extend this crack in Hoffa's armor by offering a home in the AFL-CIO to anti-Hoffa forces.

It's possible, if the AFL-CIO leadership moves at all, that it will establish local federal charters for dissident Teamsters—setting up truck driver locals to be handled by the federation until they grow sufficiently large to become a separate union. Beirne says he will fight such a plan.

Beirne figures there are enough dissident members within the Teamsters to build an AFL-CIO truck drivers union "into 100,000 membership within two years." The cost to AFL-CIO unions, he figures, would be "about \$1-million."

In the four years of uneasy peace between the Teamsters and AFL-CIO unions, both sides for the most part have avoided jurisdictional battles. Indeed, the AFL-CIO's Building & Construction Trades Dept. has continued working relationships with the IBT and Curran's maritime union has even signed a new formal alliance with the Hoffa forces.

Up to now, Meany has insisted only that there be no formal deals with the Teamsters. Working relationships are frowned on but not barred. If the AFL-CIO decides on a final break, either with a new truck union to take over Teamsters members or through other steps to create a haven for those who break away from IBT, it is bound to stir Hoffa to the attack. Thus, it could mean particular trouble for those of the AFL-CIO's 135 unions that cross or come in direct contact with Teamsters jurisdiction. **End**



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The boom in fixing up older homes

1961 Housing Act gives an added push to an already very active branch of contracting

The fix-up business—the remodeling and refurbishing of older homes—has picked up added steam from the 1961 Housing Act that provides federal insurance for home-improvement loans up to \$10,000 and for as long as 20 years.

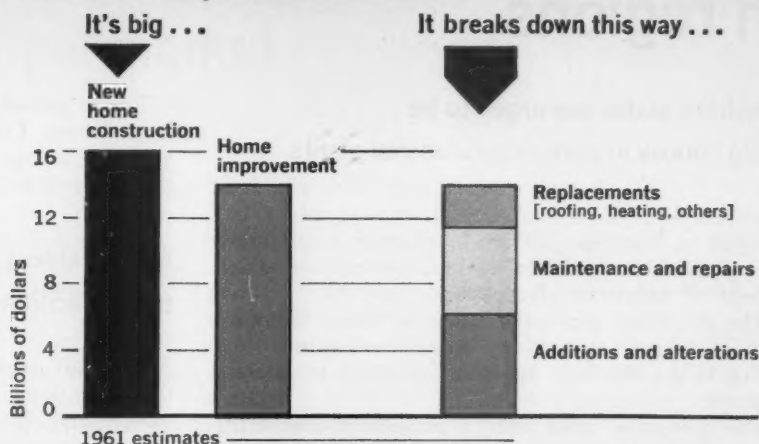
Already zipping along for some years, major manufacturers of building materials now are moving in strongly, particularly on the promotion side of the business, providing powerful reinforcement for the contractors who have always been its backbone.

Just how rich a field there is to plow has been made clear by a new set of Commerce Dept. figures, which showed that last year fix-up was a \$13.1-billion business. Most observers think home improvement will hit \$14-billion this year, compared to \$16-billion to be spent on new homes. By 1965, according to projections made by Armstrong Cork Co., home improvement will have reached \$21-billion, well ahead of new homes in the area above \$18-billion.

War babies. Growing population, of course, provides the major impetus; and by 1965 the tidal wave of World War II babies will have reached family-forming age. It's becoming increasingly difficult to find desirable land on which to build a new home within commuting range of the big cities, and what land remains is sometimes priced prohibitively. At the same time, individual families are getting larger—too large for the standard two-bedroom houses that mushroomed after the war.

With land scarce and families expanding, builders see two solutions: tearing down old houses and rebuilding, or modernizing and expanding the old structures. Construction costs alone are enough to make the second solution the preferred one in the majority of cases.

The home improvement market . . .



Data: Dept. of Commerce; Nat'l Home Improvement Council

© Business Week

The gyps. The expansion of the home improvement industry in its early days was hurt by the prevalence of shady contractors using boiler-room sales tactics. More recently, the responsible elements in the business, with growing help from the materials makers, have gone a long way to clean out the gyps and to police the whole industry. Mostly, the reforming elements have fought any efforts to do the policing by the enactment of new laws; self-regulation is billed as the only effective cure.

The only nationwide trade group for home improvement contractors is the National Established, Repair, Service & Improvement Contractors Assn., which claims 2,000 members. NERSICA has been in the van of self-regulation efforts. Various companies and groups have set up schools to train contractors and dealers in the concept of one-step home improvement centers. Such centers spare the homeowner from dickering with assorted specialized contractors, and give him a firm over-all estimate before he commits himself.

Training courses. For years, manufacturers and materials makers have been offering courses to educate contractors; the trend has spread to the colleges, with Purdue and the University of Richmond giving a number of courses in home improvement.

Herbert Richheimer, a contractor best known for his novel approach to mass remodeling at New York's huge Levittown, last year set up Richheimer Modernization Systems, which offers a two-week management training course. The alumni now number 141, of whom 37 have already opened remodeling centers on the RMS pattern. Quite a few of

the students are not contractors but employees of materials makers, who are then used to promote the center concept among the manufacturers' retail outlets.

Along the same line, the National Retail Lumber Dealers Assn. has opened a Home & Property Improvement School, to teach dealers how to get into home improvement work. The intensive five-day course has a \$285 tuition fee; plans call for 35 schools with 1,000 dealer-students next year.

The fix-up business is also finding more recruits among the regular builders of new homes. For them, the new side issue helps to level out seasonal ups and downs. The National Assn. of Homebuilders is pushing the trend, and it will set up remodeling schools to help out the contractors who have specialized in new homes.

Even department stores are on the edge of the field. Jerome and Eugene Squires, veteran builders, are spotting their Planarena centers, offering one-stop home-improvement shopping, in major stores of the AMC, Allied Stores, and Federated chains.

Promotion. Manufacturers of building materials are going into fix-up a lot deeper than merely encouraging contractors. Individual companies and trade associations alike have been enthusiastically promoting the idea with the public—sometimes to a point where zeal breeds confusion. In fact, the confusion has reached a point where the National Retail Lumber Dealers Assn. has sponsored a seminar for manufacturers and the trade press in an effort to get their promotion efforts set up on a tidy quarterly and monthly basis, with a minimum of overlap and waste effort. **End.**

Southern states are urged to be more choosy in pursuing industrial plants

The Southern Governors' Conference, at its annual meeting in Nashville last week, adopted a resolution urging Southern states to be more selective in their pursuit of industrial plants.

The resolution asked the states to "cease 'shooting with a shotgun' to bag any and all enterprises, but rather to use the 'rifle approach' in order to interest industries paying high wages."

The governors acted after a conference committee reported that the per capita income of Southern manufacturing workers was \$800 below that of workers outside the South because of "our past reliance on industries in which the wages are at the bottom of the list." It cited apparel, leather, and textiles as examples.

The resolution also urged Southern states to expand vocational education curricula to meet current needs and to stimulate efforts to provide adequate financing for new or expanded industrial plants, taking care to assure "financial soundness" of plans developed by localities.

Advocates of federal power win on transmission lines, lose on Hanford

Advocates of federal power won inclusion of three transmission line items in the \$3.9-billion public works appropriation bill that Congress approved last week just before adjournment, but they lost an effort to generate power at the federal Hanford, Wash., atomic reactor.

The biggest item was the money to start building a federal network—ultimately to cost \$200-million—connecting the hydroelectric projects of the Upper Colorado River Storage Project with major market centers in Colorado, Utah, Wyoming, Arizona, and New Mexico.

This federal grid won over an alternate proposal by five electric companies to build their own transmission network and wheel the power for the government.

The Senate-House conference report on the bill included some vague language suggesting the possibility that Interior Secy. Stewart L. Udall might want to talk wheeling with the companies, but Udall has indicated he plans to proceed with the federal lines.

Congress also authorized Interior to build a federal line to bring power from its Trinity Dam, nearing completion in California. Pacific Gas & Electric Co. had proposed to wheel power over its lines for the government.

Meantime, Congress included \$300,000 to enable Interior to begin studies of federal transmission lines connecting federal projects in various regions with one another, such as the intertie from Bonneville, on the Columbia River, to California. Power companies fear this might be the start of a grid extending into the East.

Private power people did get their way when, after long debate, Congress left out of the bill money to generate power at Hanford. They held the extra capacity was not justified.

Atlanta stores desegregate eating facilities without trouble

Atlanta last week joined the long list of Southern cities that have desegregated eating facilities in department, variety, and chain stores.

By prearrangement, groups of Negroes entered 75 stores throughout the city, took seats, and were served without incident.

This fulfilled an agreement between merchants and Negro leaders that was worked out last March. The merchants, who had experienced sit-ins and boycotts last year, agreed to open their eating places if the demonstrations were called off. They agreed to an Oct. 15 deadline, to avoid conflict with the start of school desegregation or the Democratic primary for mayor [BW Sep.30'61,p29], but the exact date was a carefully kept secret.

Atlanta thus became the 102nd Southern city to desegregate eating facilities, according to the Southern Regional Council, and the largest in the Southeast. In Texas, both Houston and Dallas preceded it.

\$21-million advance loan helps check blight on Boston's Scollay Square

The Urban Renewal Administration last week made Boston a \$21-million loan to enable it to check the blight in the Scollay Square area and replace it with government and private office buildings.

To be known as Government Center, the 54-acre project will include a \$31-million federal building, a \$20-million city hall, and possibly some state buildings to round out state projects under way nearby. Space around these government buildings would be set aside for private development.

The \$21-million loan is the first use by URA of its new "early acquisition" procedure. Under this, it gives a city a loan before the city submits its final plans so that it can go ahead with property acquisition and save time. When the city completes its plans in a few months and gets them accepted in Washington, URA will give it a grant for the federal share of the project's cost.

The city hopes the Government Center project will restore vitality to an important and historic part of its downtown area. In recent years, blight has spread to the lower side of Beacon Hill, reached the back of the new State House and court buildings, and the Charles River along Cambridge Street, splitting the downtown business district.

Government Center also will serve to tie together two other projects on the Charles and the harbor.

A changing municipal market

Any time a David bests a Goliath, it's not unnatural to rejoice over the triumph of the underdog. When the Goliath is California's Bank of America, the nation's largest bank, and David manages to win not one but two battles it also is a time for soul searching. Twice in the past 60 days, David, in the person of a relatively unknown New York bond dealer, William S. Morris, 45, successfully outbid a syndicate led by the giant bank for \$200-million worth of bonds issued by the state of California—forcing the entire municipal bond industry to do some hard thinking.

Since 1956, Bank of America had been the sole bidder on major California issues. When Morris topped it the first time, in August, Wall Street looked on it as a fluke. Morris was regarded as a "sneak bidder," who took advantage of the low "good faith" deposit required by California. But after his second victory over B of A, Morris has the bond fraternity sitting back and taking notice.

Significance. The significance of his success goes far beyond his personal profits. For it's obvious the whole system of marketing municipal bonds is under fire, and before the smoke clears there'll be a lot of changes in the way bonds are offered and distributed.

As one bond man explains: "Morris' success may not be repeated. But it does show that bond underwriters have been sitting on a smoldering fuse, and that all hell is apt to break loose."

The first sign of new competition—and the havoc it could cause—was evident last week when Gloré, Forgan & Co. formed a syndicate to bid for \$100-million of Illinois bonds against the traditional syndicate led by Chicago's big banks. Gloré, Forgan won. But, by the beginning of this week, some two-thirds of the issue was still unsold.

Survey. Bank of America itself has sent a letter to each member of its old syndicate, asking them, in effect, what—if anything—has gone wrong, and what should be done about it. Answers are now filtering in. While some dealers think the status quo should be maintained, many express the view that what is needed is a change in the traditional method of doing business, even to the extent of splitting up the old syndicate into two groups.

Single-bidding. The fact is that real competition in bidding has been on the decline in the case of big issues. So far this year, for example, there have been some 14 issues of \$50-million or more. Aside from the two California issues and the Illinois bonds, seven of the remaining 11 received only one bid.

There are reasons, of course, for the single-bid approach. In California's case, for instance, the state has brought almost \$1.6-billion in bonds to market in the past four years, and more offerings are on the way. This has required a selling group willing and able to absorb new issues. "The important thing for California," says Alan K. Browne, vice-president and manager of Bank of America's municipal bond department, "is to have a ready supply of money available when it's needed . . .

[and] the state must make certain its obligations are marketed in a manner that will not jeopardize future offerings."

Browne says that the large syndicate marketing California's bonds has established a nationwide market for the bonds. In this way, the B of A can also help stabilize the secondary market, which is a must because of the size of California's issues constantly hitting the market.

Broader market. But Morris' experience points up the fact that vast changes are taking place. While there are more authorities coming to market, there also are more institutional investors who are after tax-exempts. The tax-exempt market is broadening, and underwriters who sharpen their pencils on competitive bids can still make money.

Moreover, some members of single-bid syndicates have been dissatisfied with the share of bonds allotted them; in many cases, too, dealers are committed to the final bid without having seen—let alone approved—it.

Cost saving. The borrowers, the states and local governments, also complain that the single bid means higher costs—and higher taxes. California, for instance, saved \$3.3-million in interest charges through Morris' intervention, and, although there are obvious risks in concentrating on costs alone, such a saving cannot be ignored by any conscientious official.

The B of A emphasizes that through its syndicate any issue will be well placed. It frowns on the method used by Morris, who employed a broker, Drake & Co., to distribute the obligations on a first-come, first-served basis. Although Morris' technique worked, there's reason to believe this method won't always be successful. Most important, it means that the bonds may get into weak or speculative hands, making them vulnerable in the after-market.

Indeed, if a full syndicate rather than Morris alone competed against the B of A, then California's treasurer would not only be paying lower interest costs but also would have the assurance that the bonds would be placed in good hands.

Risks. In any case, Morris' rise to riches is sure to spur more competition for big municipal issues. The major banks and investment houses that have dominated the scene may lose some standing, as group members break away to form syndicates of their own.

This is a healthy development, but there are risks involved. If an underwriter sharpens his pencil too fine in an effort to win an issue, then he may lose his shirt. And, if an issue goes sour because of poor pricing, then the borrower will suffer.

Thus, with the municipal market in a state of transition, it is up to local authorities as well as the underwriters to do some reappraising. The wise treasurer will encourage competition. But he will also be cautious in his approach to the market, using his discretionary power to insure that the state is being well served and that its credit rating is not placed in jeopardy. **End**



Montreal gets \$88-million project with 42-story skyscraper



Toronto's Flemingdon Park joins housing, business, industry

CANADA

U.S. zip for Canada real estate

Zeckendorf's Webb & Knapp (Canada) in six years has made itself Dominion's biggest real estate developer, with city projects, shopping centers, and a British tie-up

It was March, 1955, when two visitors from Montreal dropped in on William Zeckendorf's office in New York and proposed that Webb & Knapp, Inc., develop a seven-acre tract owned by the Canadian National Rys. System across the street from its downtown Montreal station.

Zeckendorf, whose real estate ventures cover the U.S., but who had not ventured into Canada, decided this was a tremendous opportunity.

From that start, Webb & Knapp (Canada) Ltd.—in which his U.S. company has 55% interest (the public owns the rest)—has in six years become Canada's largest real estate developer, with over \$200-million in projects completed or under way.

The U.S. company, by comparison, is involved in projects, completed or under way, of over \$500-million, excluding the Century City project in Los Angeles in which it is teamed up with Aluminum Co. of America [BW Apr.22'61,p123]. The figure also excludes existing buildings bought for resale or investment.

Many-sided. In six years, the Canadian operation has:

- Begun the \$88-million Place Ville Marie project on the CNR tract in Montreal, dominated by the 42-story, cruciform Royal Bank of Canada Bldg. (picture, above left), and including other office buildings, a 1,500-car garage, shopping promenade, and small theaters.

- Completed shopping centers in London, Ont., and Vancouver, B. C., started one in Halifax, and made a deal for one in Toronto.

- Started an industrial park in Vancouver.

- Taken control of, and expanded, a going Canadian construction and development company, Toronto Industrial Leaseholds Ltd., and launched its most important undertaking, a residential-commercial-light industrial development in Toronto called Flemingdon Park (picture, above right).

Follow-through. Such a record has gained Webb & Knapp (Canada) a favorable reputation in the coun-

try. Despite obstacles and skeptics, it has tackled everything it said it would—in contrast with the performance of its parent company, which, for all its completed works and profitable trades, has failed to go through with some proposals.

The Canadian company has gained by its association with some solid names: CNR, whose government ownership implies Ottawa's blessing; and the Royal Bank, which leased 20% of the space in the building Zeckendorf named after it. Two British companies—Second Covent Garden Property Co. Ltd. and Eagle Star Insurance Co. Ltd.—added more luster by agreeing last year to become partners in Place Ville Marie, and this year in the shopping centers.

Chief pride. For all the magnitude of his Canadian activities and the intricacy and profitability of his deals, it is Ville Marie that is Zeckendorf's chief pride.

The Montreal property, vacant for years, had become known as the

"Dorchester Street hole." When Donald Gordon became president of CNR in 1950, he determined to fill it.

Early in 1955, he was approached by Sen. Thomas Vien, a lawyer, and Rudolph Lemyre, a real estate broker. They thought Zeckendorf might bring such a project off, asked Gordon if it was all right to see him.

Jumping in. Webb & Knapp quickly jumped to the bait. It began talks with CNR, established a relationship with the Royal Bank.

Gordon set two conditions. Webb & Knapp would have to set up a Canadian company, and it would have to acquire assets in Montreal (it bought the Dominion Square Bldg., an office building nearby).

By November, 1955, Webb & Knapp was ready to incorporate its Canadian affiliate—with a charter stating it would be active across Canada. To strengthen Canadian identification and avoid anti-U.S. resentment, Zeckendorf provided that a majority of the directors must be citizens or residents of Canada. Aided by Pres. James Muir of the Royal Bank (who died last year), he was able to enlist the Canadians.

In October, 1956, Webb & Knapp (Canada) agreed to submit a master plan, and to lay out a minimum of \$250,000 with no guarantee of a cent's return. On the strength of that, it went to market in November, to realize \$25-million from the sale of 5½% notes and shares.

In August, 1957, after spending \$150,000 more than required, it finished the master plan, which CNR accepted. In January, 1958, CNR gave it a 99-year lease for the land.

Tenant trouble. All the while, Webb & Knapp (Canada) had been beating the bushes for tenants. Because Montreal had had no large new buildings in years, it expected large companies would be eager to relocate. But company after company said no. Not until June, 1958, did Zeckendorf land his first major tenant, through Muir's agreement to move the Royal Bank's home office from the St. James financial district.

That assured success. The Aluminum Co. of Canada, Ltd., fell into line and others followed. That July, the construction contract was let.

Nationwide. Meanwhile the company pursued its aim of becoming nationwide. It bought land for shopping centers in greater Vancouver, London, Ont., and Halifax, made a deal to buy from T. Eaton Co., Canada's largest retailer, 60 acres in a Toronto suburb to build Canada's biggest shopping center.

In 1957 it bought two-thirds interest in Toronto Industrial Leaseholds. Last year it took over active

control of TIL, decided to concentrate on major developments such as Flemingdon Park.

Money problems. With outlays making a dent in the \$25-million raised in 1956, the company sought cash. It sold the Dominion Square Bldg. and London shopping center, leasing them back for income, and disposed of other investments.

Negotiations for long-term financing of Place Ville Marie, however, indicated that Webb & Knapp (Canada) would need an even greater equity than the \$20-million it had tied up. According to William Zeckendorf, Jr., vice-president, it had three choices: to sell more assets, borrow more, or take a partner.

It chose the third course. Through intermediaries, Zeckendorf, Jr., made contact with Henry R. Moore, a director of the London merchant banking house of Philip Hill, Higginson, Erlangers Ltd. and vice-chairman of a related real estate company, Second Covent Garden Property, Ltd.

The result was creation of Trizec Corp. Ltd. Webb & Knapp (Canada) bought 6.3-million \$1 shares, distributed 300,000 to its shareholders; the British companies (Second Covent Garden and Eagle Star Insurance Co. Ltd.) bought 6-million. Trizec bought Place Ville Marie Corp. from Webb & Knapp (Canada). The British then increased their stake to \$22.5-million by buying \$16.5-million of Place Ville Marie's debentures, while Webb & Knapp (Canada) bought \$1.5-million worth.

About the time this deal was closed last October, Webb & Knapp (Canada) arranged long-term financing for Place Ville Marie. The Metropolitan Life Insurance Co. contracted to buy a \$50-million mortgage; a group of banks headed by Morgan Guaranty Trust Co. agree to provide \$50-million of interim financing.

A deal a year. In the partnership that Moore says the British find "exceedingly compatible," he agreed with Zeckendorf, Jr., to undertake jointly "a major deal" a year. The second deal was made in July: Trizec would form a subsidiary, Triton Shopping Centres, Ltd., to buy the Vancouver, Halifax, and Toronto centers from Webb & Knapp.

There's little likelihood of conflict, since Trizec is to go into income-producing commercial properties, while Webb & Knapp (Canada) will concentrate more on land development. Last week, for example, Webb & Knapp (Canada) contracted with the city of Edmonton, Alberta, to prepare a \$100,000 master plan for renewing 60 acres of downtown Edmonton. **End**

WHAT'S NEWS AT ENJAY



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Chrysler cars are put on excursion boat at Detroit for seagoing press showing



Pipers play while reporters get aboard

MARKETING

A revamped Chrysler tries fresh start

The company begins the 1962 model year with new cars and a new sales-oriented management that has only one goal in mind—an immediate increase in profits

Probably no other automobile company has ever prepared for the introduction of a new line of cars by nationally advertising that something has been wrong, but that it is going to be fixed—as Chrysler Corp. has done in the past few weeks.

But, then, no other company has so much new to talk about as Chrysler. The other companies just have cars. Chrysler has new cars, plus new management and new marketing concepts. The press got a look at these recently when the company put its new cars and top officers aboard an excursion boat and invited reporters along for a trip from Detroit to Cleveland (pictures).

The management and marketing are headed, for top policy purposes, by George H. Love, chairman of the board and chief executive officer. But for day-by-day purposes, the company is being run by Lynn A. Townsend, president and chief operating officer. With him is E. C. Quinn, group vice-president, automotive sales. Love is a businessman of wide experience, chairman also of Consolidation Coal Co. and a

Chrysler board member for a number of years. Townsend is an accountant and management man by schooling and experience and has been with Chrysler only four years. Quinn, 57, has been selling autos since 1926—since 1934 for Chrysler. He has been a Chrysler vice-president and director for eight years, and probably knows more Chrysler dealers than anyone now associated with the company.

Sales drop. The size of the job these three are faced with can be illustrated starkly by these figures: In the first half of this year, registrations for the Chrysler car were 10% ahead of 1960, but registrations for the bread-and-butter Plymouth and Dodge, as well as the Imperial, were down more than 40%, while the industry average was only off 25%.

In Chrysler's case, the drop in sales has been more than a manifestation of a weakened national economy. A big part of it was the result of dispirited field salesmen and discouraged dealers.

In the wake of the conflict-of-interest resignation in June, 1960, of



Wraps stayed till boat got under way



Pres. Townsend gives interview

board

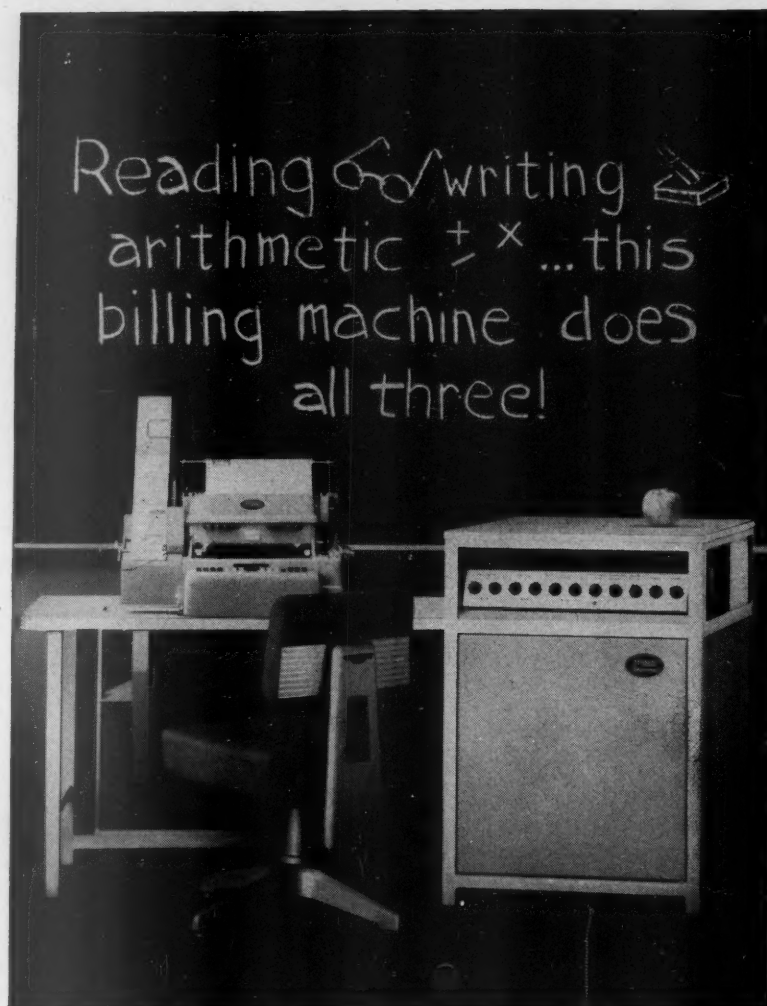
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Sales effort at Chrysler is headed by Townsend and key aides (left to right) E. C. Quinn, C. E. Briggs, B. J. Nichols



The Friden Computyper® is a remarkable machine; it *reads* constant data from punched tape or cards, *writes* the data down on the invoice, automatically does all the *arithmetic* required to figure a bill. The operator does little more than fill in the date and the item quantities. The rest is button-pushing.

For the average business, one girl and one machine can be the entire billing department.

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THIS IS PRACTIMATION: automation so hand-in-hand with practicality, there can be no other word for it.

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Sales, Service and Instruction Throughout the U.S. and World

Pres. William C. Newberg, Chrysler accountants and attorneys played I-spy with nearly the entire force of salaried employees. One key merchandising executive, Jack W. Minor of the Plymouth Div., was forced to resign, and others involved in the marketing function quit or were fired. No Chrysler employee felt secure in his job. Even if his own affairs were clean, he couldn't be sure he might not get a new boss.

Top-level losses. Meanwhile, the top executives of the corporation were too engrossed in conflict-of-interest investigations and law suits to mind the store. The general manager of the Dodge Div., a corporate vice-president, took early retirement just as 1961 cars went on sale because he was overruled on his own plans but couldn't get any other directions.

Organizational turmoil. These changes came at a time when Chrysler was hoping that a period of almost constant reorganization was coming to an end. Back in the mid-1950s, Chrysler was a strongly centralized company in which the "presidents" of the car divisions had little more authority than works managers. Then separate divisions were given complete engineering, manufacturing, assembly, and sales responsibilities for each car. Next, engineering, manufacturing, and assembly were taken back from the divisions and made separate functions under central staff operations. Marketing became one central staff function under a vice-president. Sales and the direction of the field sales force became another central staff job also under a vice-president.

The car divisions merely had sales promotion and dealer servicing functions. Just recently, responsibility for sales again was transferred back.

The constant change was unsettling, to say the least. But with the last shift, Chrysler people figured they had a pat organization and could get on with selling autos.

Unexpected changes. Then, early in the 1961 model year, the De Soto flopped and had to be discontinued. What's more, economy moves dictated the collapsing of two divisions into a single Chrysler-Plymouth Div.

During the year, Chrysler Corp. went from three car-selling divisions to two. It replaced the general managers of both the Dodge Div. and the Plymouth Div. (as well as Dodge trucks); combined the Chrysler and Plymouth sales forces; abolished one corporate marketing organization and put a new one in its place. Finally, in the biggest shaker of all, Chrysler replaced L. L. Colbert, who had been functioning in both

USS Higher strength steels make more sense for this rugged, light-weight trailer

(It carries 1100 pounds more)

Here is a high-capacity dump body trailer that gives you a substantial dead weight reduction for only a few cents per pound of payload increase!

This trailer, which went into service in January, 1961, hauling both hot and cold slag, is proof that each pound of payload increase you buy can cost as little as 35¢ per pound.

To prove our point, this 27-cubic-yard trailer was created by the TEC

Division of the Heil Company, Cleveland, Ohio, in conjunction with the Applied Research Laboratory of United States Steel. Using the USS Family of Steels—carbon steel, USS COR-TEN High-Strength Low-Alloy Steel (50,000 psi minimum yield point) and USS "T-1" Constructional Alloy Steel (100,000 psi minimum yield strength)—compared to a similar capacity carbon steel trailer, we were able to reduce the weight of this one by 1100 pounds—at a cost of only 35¢ for each one of the 1100 pounds.

This was done by using 14-gage USS COR-TEN Steel for trailer body sides, 12-gage in the floor, and USS "T-1" Steel in the high-strength, lighter weight draft arms.

As a bonus, both USS COR-TEN and "T-1" Steels give you four to six times the atmospheric corrosion resistance of carbon steel. You also get high resistance to abrasion and impact. USS

COR-TEN holds paints considerably longer than ordinary carbon steel.

In other words, pound for pound, higher strength steels have yet to be equalled by any other material of construction when you consider strength, endurance and cost.

The tremendous success of this model has led to the design of a similar steel trailer that will lop off still another 400 pounds of dead weight (9100 lbs. tare). For more information about USS "T-1" Constructional Alloy or our various grades of high strength steels, write United States Steel, 525 William Penn Place, Pittsburgh 30, Pa. USS, COR-TEN and "T-1" are registered trademarks.

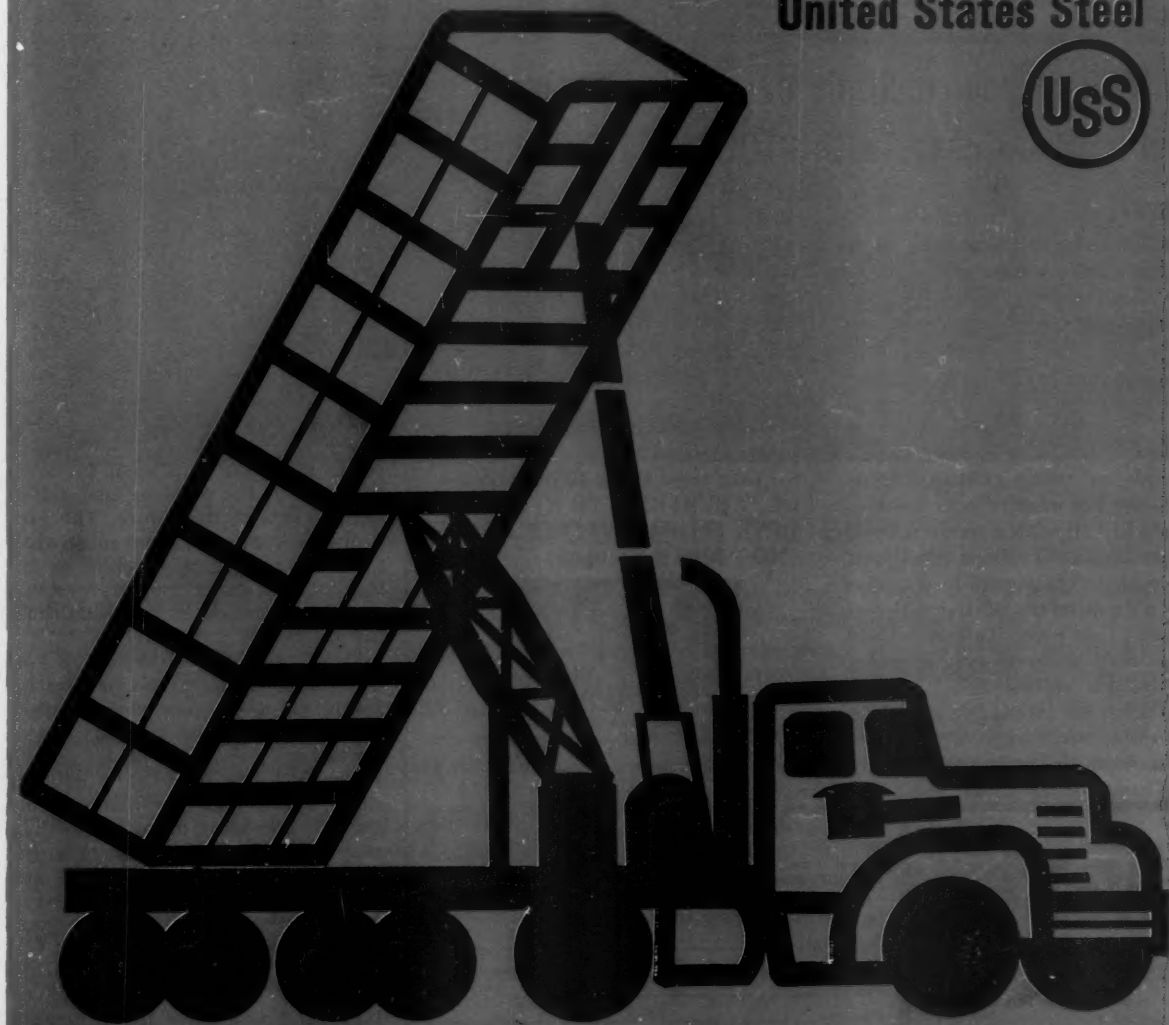
United States Steel Corporation
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This mark tells you a product is made of modern, dependable Steel.

This new frameless steel trailer built with USS COR-TEN and "T-1" Steels easily withstood a punishing seven-month service test hauling 23,000 tons of hot and cold slag and is ready for several more years of grueling work. Operator: Hawkins Contracting Company, Pittsburgh, Pennsylvania.

United States Steel





Reduce your multiple carton addressing and marking costs with "TOUCH STENCILING!"

Using a Weber Handprinter and Stencil, one man addresses 45 to 60 cartons a minute with "just a touch." He does the work of five or six people using other methods. After the shipment is addressed the inexpensive stencil is discarded—there's nothing to save or file.

If your office is currently typing labels, your plant cutting stencil-boards or using rubber stamps, you can cut most of your marking costs in half with a modern touch stencil system. Perhaps, you'll want to prepare the stencil in the office as a by-product of the order-invoice. That's the Tab-on system. You may prefer to type a continuous-form stencil (the Continumatic) from tabulating cards. Or, you may want to have your company logo die-cut in the stencil for

direct-to-carton addressing.

In any event, there's a Weber stencil and handprinter to fit every marking job, wherever it may be—plant, office, production, receiving, etc.

For full information on low cost addressing and other multiple marking operations requiring from five to a thousand impressions, send for your copy of the 16 page booklet "7 SYSTEMS TO STREAMLINE SHIPMENT ADDRESSING." Mail the coupon.



The Weber Stencil can be typed as a by-product of forms.

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TO STREAMLINE SHIPMENT ADDRESSING."

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Individual _____
Position _____
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City _____ Zone _____ State _____

the chairman and president roles.

The directors didn't help matters when they first named Love chairman of the executive committee "because it was not thought necessary to designate a so-called chief executive officer or chairman of the board." In two months, they reversed themselves and made Love the chief policy officer.

Dispirited dealers. It would have taken a dealer body of considerable financial strength and confidence in the corporation to withstand such turmoil. Chrysler dealers by and large haven't been noted for either. Since 1954, they have had only two outstanding years (1955 and 1957).

So now the Townsend-Quinn job is a sizable one: develop a corporate marketing plan and organization; maintain consistency in divisional sales organization and sales direction; instill enthusiasm and determination into the field sales force; rebuild the dealer force and give it new confidence in Chrysler management, Chrysler products, and itself.

Short-term goal. The executive casualties resulting from the conflict-of-interest storm had this redeeming feature: Townsend and his people can start from scratch with new concepts and toward new goals. Their major goal makes an enormous difference in everything Chrysler does. That goal is to channel all Chrysler energies toward the immediate market, to produce an immediate profit, rather than playing for the long pull.

Colbert's goal was to work Chrysler's share of the total auto market back up to the 20% or more it had when he took over in 1950. Consequently, he brought in a multitude of planners to tell him what to do to prepare for the growing and different markets of the future. The idea probably was sound, but meanwhile Chrysler took a pummeling in the market; and executives without bonuses and stockholders with shrinking dividends got restless.

Dealer program. Townsend's goal—in all probability he's betting his future on it—is very simple: make money on the number of cars Chrysler can sell now. That means cutting expenses to the bone and juicing up sales efforts. So the planners are gone or are doing other things. The corporate marketing function becomes basic. Quinn wants to be sure that Chrysler has dealers everywhere it should, and they are good.

For some years, Ford and GM have been buying out dealers in deteriorating neighborhoods and establishing new ones in burgeoning population areas. Now Chrysler is doing the same thing. For a year or

NAUGATUCK CHEMISTRY MAKES THINGS HAPPEN



There's trouble in the air

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It's ozone. It's in the air everywhere, all the time. It's particularly abundant during electrical storms, around electrical machinery, and in areas noted for their smog. And it actually destroys rubber products, including the tires you ride on...causes them to stiffen, crack, check, wear and fail prematurely. Oxygen and ozone have long been rubber's worst single enemy.

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Tiny as they are, these miniature resistors—made by Allen-Bradley's exclusive hot molding process—*have never experienced catastrophic failure in service.* They are remarkably "uniform" to their resistance rating. Therefore, you are only fair to yourself—and your customers—when you insist on the reliability of the A-B Type TR resistors.

For complete details, please send for Technical Bulletin 5001, and Publication 6024 which also includes information on other A-B space-saving electronic components.

ALLEN-BRADLEY QUALITY ELECTRONIC COMPONENTS

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In Canada: Allen-Bradley Canada Ltd., Galt, Ont.

more there have been some large cities without a single Chrysler dealer. Now these cities are being filled in, with the help of corporation money. Under a Dealer Facilities Program, Chrysler builds dealer facilities and leases them to retailers of its own choice.

Sales leadership. Salesmen are going to dominate the corporation. When M. C. Patterson walked out of Dodge a year ago, his replacement was B. J. Nichols, an auto salesman for 21 years. When Chrysler and Plymouth were combined, H. E. Chesebrough, a crack engineer who had been running Plymouth, was put in charge of quality control. The top spot went to Clare E. Briggs, an auto salesman whose experience goes back to Graham-Paige in 1924 and to the Packard of the "ask the man who owns one" days.

Briggs has at least one recent solid accomplishment to recommend him. For the first six months of this year, only four makes in the entire industry were ahead of last year's registrations: Comet, Lincoln, Buick—and Chrysler. Comet, of course, is a compact car, and Buick's sales were boosted by the compact Special. But Briggs sold the Chrysler as a big car with a "low price."

New enthusiasm. As a salesman, Briggs knows that you can't sell anyone a product or an idea you don't believe in yourself. So, preparing for the introduction of the 1962 Plymouths and Chryslers, Briggs for the first time called a meeting of the entire 450-man division field sales force—the men who persuade the dealers to buy cars. For three days at a summer resort in the Pocono Mountains, he whipped up their interest. He says he has never before seen such enthusiasm by a field force for a new product—the expected answer to such a question. But he sounded as if he really believed it himself.

The products Briggs and Nichols have to sell are mostly new. The Plymouth and Dodge are on a wheelbase of 116 in. They both bear traces of the European-cast styling of the Valiant. Chrysler has dropped one model, the Windsor, and substituted for it the Chrysler 300, a car with sporty accouterments and a hopped-up engine.

Chrysler has nothing to apologize for in its 1962 products. So, how the cars move in the market place will be the test of how well Townsend and Quinn and Briggs and Nichols, and their field forces and their dealers can fulfill what the company's ad campaign promises: "Fix what's wrong, keep what's right, and move ahead." **End**

GE hits pen ball market

In under three years, company says its carbide balls do the writing in 25% of pens

In this age of accelerated consumption, the ball point pen is pretty much a manufacturer's dream. Small and inexpensive to produce, the ball pen's price is so low, its users can literally toss it aside. Its throw-away character means pen sales by the hundreds of millions (roughly 762-million in 1960).

September and October bring the ball pen's hottest season as schools reopen. And this year pen companies are trying particularly hard to wean students from lead pencils. The nation's approximately 48-million students help boost annual sales of wooden lead pencils to some 10-billion. And there isn't much difference in price between a semester's supply of pencils and a couple of pens.

Back-to-school sales will help boost the number of ball pens sold in the U. S. past the 1-billion mark this year. In units, ball points had an estimated 87.5% of the market for pens and mechanical pencils in 1960—up from about 69% only five years earlier. (In dollars, ball points had only some 60% last year.) And a big new crop of students is coming up.

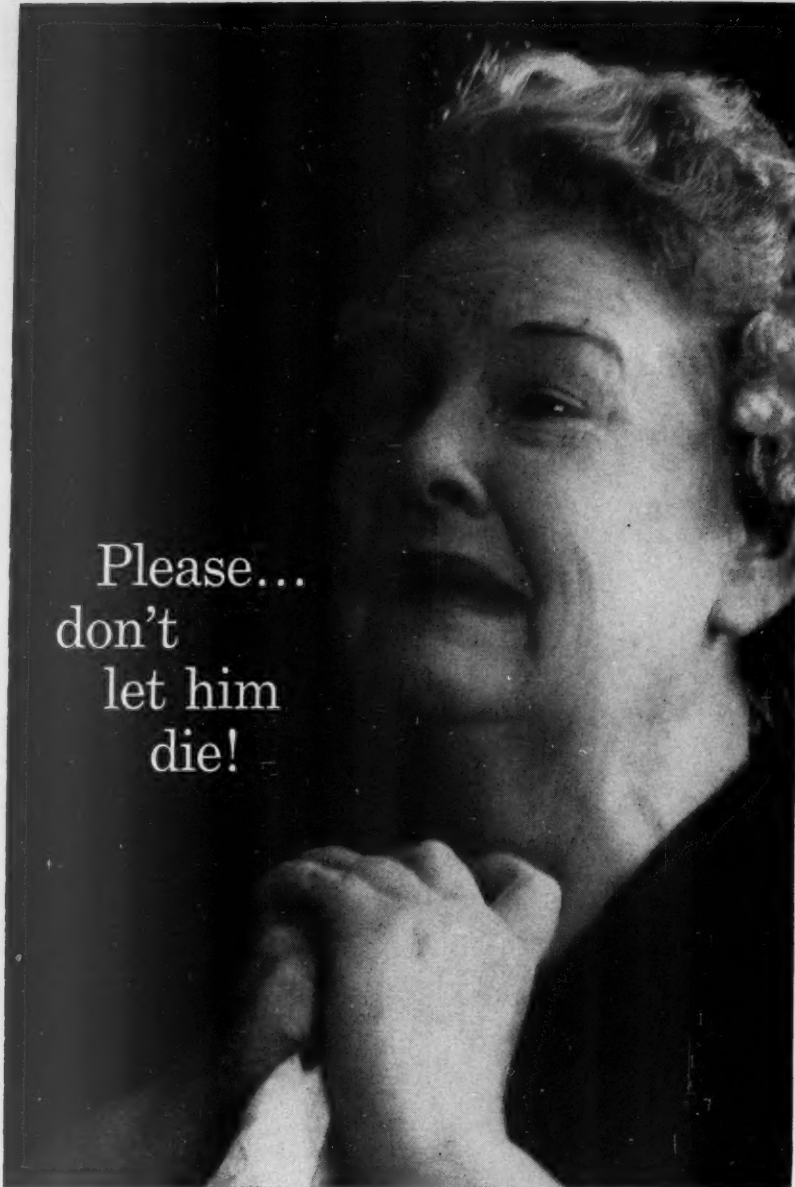
To catch this huge market, the most obvious strategy for manufacturers would appear to be to trim costs any way possible. Yet General Electric Co.'s Metallurgical Products Dept. is making a big impact by selling one of the most important pen components, the ball, for five times what used to be the going rate.

Since it introduced its tungsten carbide balls (picture) two and a half years ago, Metallurgical Products says it has snared 25% of the world pen ball market. And it is hot on the trail of the other 75%.

Why pen balls? If anything is stranger than how a company cracks a market with a higher-priced part for an essentially disposable prod-



George Hartley of GE's Metallurgical Products Dept. holds pens using company's "Carboloy" balls. GE says they write better, last longer than steel ball points.



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let him
die!

A hospital is more than just beds, operating rooms, x-ray or cardiograph machines.

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uct, it is why GE should want to in the first place. Metallurgical Products mainly makes carbide industrial cutting equipment and heavy mining tools. Its sidelines run to jet engine blades and thermistors for earth satellites—items that bring in many millions of dollars, while pen balls bring in only slightly over \$1-million.

The division landed in pen balls for two reasons.

First, a market was waiting for something that would make the pens better. Even in 1957, the pen industry was still suffering from the public's too accurate memory of a flood of shoddy pens that hit the market 10 years before. "Our carbide ball was better than any steel ball available," says George Hartley, marketing manager of Metallurgical Products. The carbide ball's rougher texture grips the paper harder, and so writes more smoothly, he explains. While steel may be textured to start, the paper is more abrasive than steel, he says, hence soon wears the steel down.

Second, pen balls meant extra profit. That's something Metallurgical Products wanted badly to help balance out the off-again, on-again sales of industrial equipment sales. Obviously, profits on pen balls couldn't be too great. But the department has a sales slogan: "Don't overlook the small items in product planning for profit opportunity."

Starting with a need. In its constant search for new carbide products, the company concentrates on areas where a need is already established. "It wastes a great deal of money to develop a product, then look for a customer," says Hartley.

Prior to 1957, Parker Pen Co. had brought out a carbide ball and demonstrated its advantages. Metallurgical Products itself had shelved the idea of a carbide ball 10 years earlier, along with a carbide razor blade, as too expensive. Now research came up with a cheaper way to make the balls, and the customers were there already.

Unhappily, the carbide pen balls, though less expensive than before, were still priced at \$15 per thousand—more than 20 times as expensive as steel balls. "Steel can be snipped from wire and rolled into shape," Hartley says, "but carbide balls have to be ground."

From the start, the prime market Metallurgical Products had its eye on was the low-priced 5¢-39¢ pen field. It felt that eventually volume production, standardization, and improved production techniques would help bring the cost down so it could enter this market. But at first the higher price of its balls kept it

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Aluminum Landmark.

This sleek-looking transmission tower was developed, with assistance from Olin Aluminum, by Alrectic Division of McGraw-Edison Company and a leading utility in the Mid-South. This unique tower is fabricated by Alrectic of specially extruded members welded together. The design required selected alloys and new fabricating techniques; these were part of Olin's special contributions. It was designed for neighborhood use in tapered

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Aluminum's research staff. More and more, manufacturers who want to incorporate new designs with extra savings, think in terms of aluminum. And more and more Olin Aluminum's research and marketing thinking have proved to be the most profitable answer to many a manufacturer's problem. Don't you think it would be a good idea to call your Olin Aluminum Sales Office or your local Distributor for creative, marketing, and production help?

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out. So the company launched its product by selling initially to the only people who could afford the carbide balls—the makers of \$10-\$15 pens. The pitch was quality.

Promotional pens. As the carbide ball caught on, Metallurgical Products worked down to another lucrative field, the promotional pen. Hartley estimates that this year 300-million to 400-million ball pens will be given away, each carrying an advertising message. To sell this market the company has used a double-barreled approach. It has gone both to pen manufacturers and to companies in the market for promotional pens and argued that a shoddy pen is a poor advertisement that can actually backfire on the giver.

The company hasn't advertised its carbide balls—or Carboloy balls, to give them their registered trade mark. It has had good reason not to. To get the public asking for carbide balls would take about \$1-million in promotion, Hartley guesses—on a product that currently brings in only a little over \$1-million a year.

Instead, this fall the company is stepping up efforts to sell the promotional departments of every type of company. And vast new markets are opening up as new nations fight illiteracy. Some 90-million ball pens are already exported annually, and the world market runs to over 2-billion, including refills.

Price drops. In three years Metallurgical Products has worked the price of its pen balls down from \$15 to less than \$2 per 1,000. That makes them about five times as expensive as steel balls, and Hartley thinks he can eventually cut this in half.

His confidence is reflected in the fact that Metallurgical Products' production capacity is now up to 2-billion pen balls a year.

Indirect assist. So far, no pen company has directly advertised pens with carbide balls. But manufacturers who use carbide balls are giving Metallurgical Products an indirect assist. Their ads don't say carbide, but they do talk quality. Waterman-Bic Pen Corp., which through Bic-International sells 2-million ball pens a day, is carrying on an intensive TV campaign. Its commercial shows a Bic pen boring through $\frac{3}{8}$ in. of plywood. The reason the pen still writes after its drilling chores is its carbide ball—which Bic calls its "Dynamic Ball."

And Paper Mate Co., in a series of ads, suggests that you give him or her a Ferrari, or an island, or maybe a seat on the New York Stock Exchange—of course, along with a Paper Mate. **End**

SUBTRACT QUANTITY-SOLD FROM BALANCE-ON-HAND. IF BALANCE-ON-HAND IS NOT LESS THAN REORDER-LEVEL THEN GO TO BALANCE-OK ELSE COMPUTE QUANTITY-TO-BUY = TOTAL-SALES-3-MOS/3.

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Woolworth preparing to start chain of discount department stores

Robert C. Kirkwood, president of F. W. Woolworth Co., announced plans last week for the first of a nationwide chain of Woolco discount department stores.

The new store will be located in a 40-store shopping center in Columbus, Ohio, and is scheduled to open next spring. It will be the only department store in the center.

Kirkwood estimates \$7-million in sales for the first year of the new store—one of 18 such outlets scheduled to open in the next 18 months.

The Woolco store will carry a complete line of department store merchandise and will offer credit facilities on both a revolving and installment payment basis.

"Our goal," said Kirkwood, "is to have the largest discount chain in America."

Travelers sets up bureau to explain insurance mysteries to the ladies

Another tribute to the power of women came this week. The Travelers Insurance Companies of Hartford, Conn., announced it has established a Women's Information Bureau, headed by Jean Kinkead, women's consultant to Travelers.

Travelers Pres. J. Doyle DeWitt explained the move this way. Women today own some \$80-billion in life insurance and are the beneficiaries of about 65% of all death benefit payments made by all companies. Further, as more women enter the labor force, they come into contact with new kinds of insurance.

As a result of her previous work with Travelers, Miss Kinkead concludes that women want to know more about insurance—and they want the answers in plain language.

General Electric creates new section to push its automatic toothbrush

General Electric Co. not only has a new automatic toothbrush, it has a new Dental Health Section in its Clock & Timer Dept. to market its product.

Squibb has had an automatic toothbrush on the market for about a year. GE's differs in that its motor is driven by a rechargeable battery in the handle. The charging unit is in the holder, which can be plugged into the house current. Suggested retail price, including brushes for a family of four: \$19.95, with replacement brushes available.

Because it is dealing with a new market, a new section was called for. Primary outlets at the start are drug stores and drug departments in department stores. But the Dental Health Section also aims to convert the

dental profession to the product's merits, and this move called for a new marketing approach. GE reports initial response is enthusiastic. Currently, the company is selling only in New England, around Chicago, and in California.

Skil Corp. this week introduced its first line of battery-powered portable tools—at the National Hardware Show in Chicago—another sign of the growing interest in tools and appliances with a detached power source.

All six pieces in the Skil line—including shears, hedge trimmers, auto polisher, and the like—are operated by a separate 2¾-lb. power pack that clips to the user's belt. The power pack was developed by Union Carbide Corp. A short cord connects the power pack to the tool. The battery will power a tool for about an hour before needing a charge.

Prices will run high. The hedge trimmer, for example, will retail for \$59.95, the battery for \$50, and the charger for \$15. Skil will begin marketing the new tool line early next spring.

Professional dry cleaning equipment maker plans to invade self-service field

Two more companies are riding the self-service laundry and dry cleaning wagon.

In the fast-moving coin-operated drying-cleaning field [BW Sep. 23 '61, p131], Detrex Chemical Industries, Inc., major producer of professional dry cleaning equipment, will join the big appliance makers in marketing equipment for self-service operations.

Detrex claims that, by carrying over features from its professional equipment, it can produce self-service machines that will bring substantial savings to the equipment owners, lower prices to users. Hence, it feels, its tentative price of \$16,000 to \$20,000 for a bank of six is competitive with the average price of \$15,000 to \$17,000 for a bank of eight.

In the self-service laundry field, Nortex Products, Inc., subsidiary of Canada's Superpack Vending, Ltd., last week signed a contract with Lever Bros. Co. to package the detergent "all" for sale in U.S. coin-operated laundries. Superpack has had such a contract in Canada.

Superpack makes the "all" dispenser, a small machine that stows away 345 cylindrical packages of detergent. Each package sells for 10¢.

These machines are already vending plastic laundry bags—also at 10¢—for women to use to carry their wash home. Scientific Packaging Corp., Newark, N. J., bought 10,000 of the machines, at about \$30 each, for U.S. laundry centers. Vending machine operators have already installed several thousand, Scientific Packaging reports. Scientific Packaging does not sell the machines; it sells the packaged laundry bags to suppliers of operators.

Superpack feels its small vendor has good possibilities for other merchandise—such as food and small hardgoods items—especially in supermarkets.

International outlook **BW**

October 7, 1961

Omens for 1962: exports level, imports on rise

Current trends in American foreign trade point to new balance-of-payments difficulties for the U. S. in 1962. Since the first quarter of this year, exports have leveled off and imports have risen—shrinking our trade surplus substantially.

Look at these figures: At a seasonally adjusted annual rate, the surplus of exports over imports was \$6.3-billion in the last quarter of 1960, \$6.6-billion in the first quarter of this year, and then \$5.4-billion in the second quarter.

Third-quarter figures aren't in yet, but the data so far available shows exports fluctuating around an annual rate of \$20-billion and imports pushing up toward the \$16-billion mark. By year's end, the trade surplus may have shrunk to \$4-billion or less at an annual rate.

The decline in our surplus is due largely to the fact that the U. S. and Western Europe are in different phases of the business cycle.

Business has been picking up smartly here, and imports have been rising accordingly. With the prospect that business will continue to gain, the U. S. appetite for imports should continue to rise through this winter and on into next year.

In Europe, though, the boom is tapering off. So European and Japanese manufacturers are eager to sell in the U. S. market, are putting the pressure on, cutting delivery dates. At the same time, Europe probably won't be able to take too much more in the way of goods from the U. S.

There are other problems around the world. Canada's recovery has been somewhat slow, so it is not so good a customer as many U. S. companies expected. Japan has run into new problems with its balance of payments, so the sale of U. S. goods there may not be as brisk as it has been.

Despite the worsening trade trend, our over-all payments deficit for 1961 will be modest—perhaps not more than \$1-billion. During the three years ending in 1960, the deficit averaged over \$3.5-billion.

Next year, however, the trade balance almost certainly will continue to swing against the U. S. So, by summer, the over-all deficit could be running at an annual rate of \$3-billion or more. That's assuming no important new psychological factors enter the picture to alter radically the amount of red ink. For example, strong inflationary pressures in the U. S. could lead to an outflow of capital, make the deficit bigger. Or, if Pres. de Gaulle were to fall in France, all Europe might be shaken—bringing an inflow of capital here.

Berlin outlook brightens after Gromyko talks

Chances for a negotiated settlement of the Berlin crisis looked better to Washington at midweek. That's why Pres. Kennedy scheduled a Friday meeting with Soviet Foreign Minister Gromyko.

It was the long talks Secy. of State Rusk had with Gromyko in New York that made Kennedy decide to take on the Soviet foreign minister himself. Rusk found Gromyko backing away a little from earlier Soviet demands that the West deal directly with East Germany over rights of access to Berlin. Moreover, Gromyko didn't mention Premier Khrushchev's yearend deadline for signing an East German peace treaty.

International outlook Continued

U.S. officials still were keeping their fingers crossed at midweek. They had no solid evidence that Khrushchev will lower his sights in Berlin—only hints that he might.

In Berlin itself, the situation remains tense. Marshal Ivan Konev, Soviet commander in Berlin, warned this week that new U.S. military moves could dash prospects for East-West talks. Konev presumably was referring to the resumption—after a nine-year lapse—of U.S. military patrols on the Autobahn leading to Berlin.

November still looks like the earliest date for the start of formal negotiations. They could begin with a go-around at the foreign ministers level and then shift to the summit.

Assuming things work out this way, the West will try to:

- Get an agreement with Moscow defining the new status of West Berlin and confirming Allied rights to maintain garrisons there. Soviet responsibilities under this agreement would be written into any Soviet peace treaty with East Germany.

- Limit the East Germans to the role of Soviet agents in the handling of the new access arrangements. For East Germany, this would be less than full de facto recognition.

Some agreement on arms control in Germany also is under consideration. The latest idea is for a zone of inspected arms control in and around Berlin.

Tough decisions coming up on South Vietnam

Kennedy may have to decide soon whether to order U.S. troops into South Vietnam. Fighting between Pres. Ngo Dinh Diem's forces and Communist guerrillas from Laos and North Vietnam is reaching the scale of open war.

The decision is complicated by the East-West negotiations aimed at neutralizing Laos. Some U.S. officials fear that direct U.S. assistance to South Vietnam would touch off a new Communist offensive in Laos. Other officials in Washington, though, argue that demoralized anti-Communist forces in Laos would take heart. These officials also believe that a strong U.S. move in Southeast Asia would strengthen Kennedy's hand in dealing with Berlin.

U. N. has hopes of naming an interim chief

After three weeks of intense maneuvering, efforts to fill Dag Hammarskjöld's chair in the United Nations appear to be making some headway.

At midweek, there were signs that the U.S., the Communists, and the neutrals might agree to fill the Secretary General's office with an interim executive. Talk in Washington and at the U.N. centered on U Thant, Ambassador from Burma to the U.N. If named, he would serve the remainder of Hammarskjöld's term, until April, 1963.

The break in the impasse, if it comes, will be because the Russians have dropped their demand for a triumvirate to lead the U.N. Secretariat, the so-called "troika" plan. The triumvirate would include one representative from each of the Western, Communist, and neutral blocs, all having a veto. This is unacceptable to the U.S. and most neutrals.

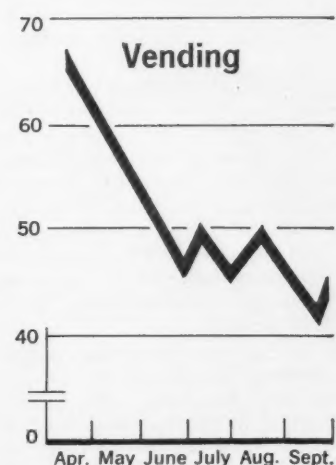
With the truce in the Congo apparently ready to break down, the naming of an acting Secretary General has become imperative. Otherwise, the entire Congo operation will be leaderless and will likely end up with the defeat and withdrawal of the U.N.

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THE MARKETS

Glamor stocks take a serious tumble

Mania for growth shares brought many issues to price-earnings ratios that were too inflated. The result: sharp falls at a time when most stocks are up



Data: Standard & Poor's © Business Week

While most indexes of stock prices show that equities are selling close to their all-time peaks, many groups have had spectacular falls. In the new bull market of 1961, declines have been particularly marked among the "growth" stocks in such fields as electronics, vending, publishing (chart). Some issues are down as much as 60% from their highs, and investors who were attracted by the concept of the growth stock are suffering huge losses.

Some analysts are saying that growth stocks are not going to return to favor. They feel that investors—and speculators—have recognized that paying extremely high prices for the shares of growth companies can be dangerous if the growth in earnings does not materialize. And they think that the experience of the last few months has made investors cautious about buying growth stocks.

Other analysts are not so sure. While they admit that the growth stock that is unable to register year-to-year gains in earnings does not merit a high price-earnings multiple, they maintain that the true growth issue will attract even greater demand. As they see it, the shakeout of the growth issues will lead investors to dump those that no longer merit a growth label and to buy those that do. Thus, they predict even higher price-earnings ratios for the valid growth issues.

Too far. From what has happened over the past year, it is clear that the demand for growth stocks went too far. Already many stock groups—and individual issues that analysts had promoted as being in the growth category—have been hard hit.

The disenchantment with growth goes beyond electronics issues, although they were bid up the most sharply and have taken the biggest falls. It shows up, for example, in a wide variety of industries—shell homes, boating, photo equipment—

that had been heavily bought, first by institutional investors, then by the public. Says one analyst, "People didn't care about the company—as long as they believed that it was a growth stock they bought."

The concept of the growth stock came into favor in the mid-1950s, after the cult of equities itself had raised the over-all level of stock prices. It is based on the theory that stocks that are able to grow faster than the average run of industrial issues merit a higher multiple than the average.

One of the most vocal advocates of the growth theory, the late Samuel Lee Stedman, looked for stocks that grew at an annual rate of at least 12% a year [BW Jul.25'59,p117]. Others accepted a somewhat lower rate, but in general the theory held that stocks that achieved a continuous rise in earnings were better values than those offering high yields or possessing high assets. Stedman, for example, felt that the stocks of companies whose earnings compounded at a rate of 20% a year could sell at 30 or more times current earnings.

Late 1950s. The growth concept caught on among institutions and individual investors. In the late 1950s, a substantial group of stocks—Polaroid, Ampex, International Business Machines, Texas Instruments—shot up to new heights because of the demand for growth. This feverish demand spilled over to a lot of other issues, particularly science stocks and those in leisure fields—bowling, boating, publishing.

Many of these issues did not have a long record of increased earnings. For the most part, they were small companies, with small capitalizations. Because they were starting from a relatively low base, they were able to show handsome increases in sales and earnings. And because there was only a limited amount of stock available, the demand for



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them brought a swift rise in prices.

Thus, shares of a great many small and unseasoned companies were selling at price-earnings ratios comparable to those of proven growth companies like IBM. According to one analyst, "Those who got bitten by the growth bug took the mechanistic approach that companies starting from scratch would be able to continue growing at a fast rate forever."

Recession blows. There was little questioning of the growth concept until 1960, when a number of companies that had been promoted as growth issues were hit by the recession and failed to show a rise in earnings. The most celebrated victim was Ampex Corp., a maker of magnetic tape, which earned 55¢ a share in 1959 and showed a deficit of 51¢ in 1960. The stock, which had sold at 60 times earnings, tumbled from 42 to 19.

But the growth concept did not really falter until this year, when a great many more companies began reporting a drop in earnings. In the electronics field, for example, Texas Instruments, which sold as high as 256 a share—over 50 times earnings—in 1960, took a sharp tumble to 110—when it began reporting much lower earnings this year. And Transiron, another favored semiconductor company, dropped from a high of 60 last year to 18 this week as its earnings turned into deficits.

Many other companies in the electronics field, which was hit by increased competition and a slowing in the rate of sales increase, were similarly hit in the market. Avnet Electronics has dropped 62% from its high earlier this year, General Instrument Corp. is down 46%, Standard Kollsman 32%, and International Rectifier 50%.

The same pattern shows up in vending stocks, another area that analysts—and investors—had regarded as a prime growth group. The vending industry was also hit by competition and growing pains—mergers, acquisitions, the cost of new technological improvements. This is reflected in the market where issues like Vendo, Automatic Canteen, and Seeburg are down 40% or more from their highs.

'Irresponsible.' According to Bradbury K. Thurlow of Winslow, Cohu & Stetson, the "irresponsible evaluation of glamor-type equities was an authentic popular delusion, to be classed with other speculative manias of history." As he sees it, many stocks were bid up to unreasonable levels, and the decline now taking place represents a return to reality. He adds that many so-called

growth stocks "still look vastly overvalued," and he expects further declines as a result of tax selling.

There is no doubt that many issues failed to live up to their billing as growth issues, and are now taking a beating as disillusioned investors sell out. While Thurlow feels that this will affect most stocks with a growth label, he does not think that this disenchantment will have a serious impact on the over-all market. Instead, he sees funds going into more of the standard issues, where there is less risk, and explains that "this flow of funds is the present-day counterpart of the old-fashioned shift from stocks to bonds."

S. B. Lurie of Josephthal & Co. takes a different position, holding that investors will be selective in their appraisals of growth stocks. He adds: "This doesn't mean that all growth stocks will return to their former popularity. Many won't—far too much speculative damage has been done."

Abuses cited. Other analysts think that the growth stock concept is still valid, but that it has been abused. They point out that a company that is able to maintain a rising level of earnings per share definitely deserves to sell at a high price-earnings multiple. But they concede that too many issues have been placed in the growth category on questionable grounds.

It may take some time before the shakeout in growth stocks reaches its end. Investors, who have been burned in the last few months, are likely to be somewhat more skeptical in accepting growth projections. Yet the market has always placed a premium on the companies whose earnings rise at a fast rate, and as William Kurtz of Paine, Webber, Jackson & Curtis puts it, "Wherever a company has demonstrated earnings performance its shares respond favorably."

Institutional investors, for example, say that they are still interested in growth issues and are willing to pay high prices for them. But, as one mutual fund portfolio manager puts it, "Our criteria for growth have been raised. Like a lot of others, we bought small companies that were immune to the business cycle when they were in their early stages. We've found out that when they reach a certain size, or are profitable enough to attract new competition, their growth rate is affected. So we are confining our purchases to stocks that offer good value or whose growth rate seems assured. There are precious few of the latter category any more." **End**

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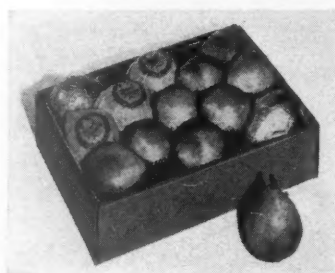


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Wall St. talks...

about Wellington Fund,
 airline earnings,
 utility shares, SBICs

Wellington Fund, the nation's third largest mutual fund, reports it has increased its defensive position. It has upped its cash and short-term governments position to 10% from 7% in the past three months, and it has also done some switching in equities to give it more protection against any market decline.

The hoped-for increase in airline earnings isn't materializing as yet. On the contrary, the major trunk airlines are expected to show lower earnings for September than they did a year ago, when the recession was having its effect. This is likely to mean continued pressure on the prices of airline stocks, which some Wall Street brokerage houses have been plugging as having "turned the corner."

Are electric utility shares overpriced? This question is starting to be heard more frequently on Wall Street, as analysts choose up sides. E. Ralph Sterling of Josephthal & Co. is one of those who thinks a substantial decline in electric utility shares may be on the way. He cites less favorable rulings by regulatory bodies and potential government intervention as two adverse factors, and he notes that "at least one institution has already reduced its holdings."

Despite the sharp declines in share prices of small business investment companies, more of these companies are coming to market. At least five issues are scheduled for sale soon—including Puerto Rico Capital Corp., an SBIC that will stick chiefly to Puerto Rican ventures. Many analysts are frankly worried about the trend, insist underwriters are not properly screening all the SBICs being formed.

There are also a lot of new vending issues coming to market. This group has been hard hit as well (page 137), but underwriters still consider it a growth industry, point out that the major vending outfits continue to sell at extremely high price-earnings multiples.

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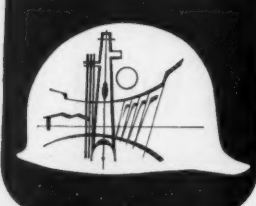


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In the markets

BW

Stock prices still show weakness, but prospects for rise seem fairly good

Stock prices continued their see-saw action this week, reflecting the uneasiness prevalent among investors. The popular stock averages, which are less than 5% below their all-time peaks, are actually holding up much better than most stock groups. Growth issues, for example, are particularly hard hit, with some issues down 50% or more from their highs (page 137). And some of the cyclical issues, particularly steel and aluminum, have been slipping, largely because of a continuation of the squeeze on profit margins.

Some analysts think that the weakness of stock prices is not likely to continue. They feel that the market was poised for a correction, and that the decline to date has been within bounds. While some of the growth stocks have suffered severe drops, most issues have managed to withstand the selling pressure fairly well, which is taken as a sign that the less bullish mood of investors is not likely to spread much further.

But just how fast or how far the market will snap back is open to question. For one thing, there is likely to be a good deal of tax selling in the next few months, which should hold down the pace of any price advance. For another, investors are disturbed about the international situation, and still fear that any increase in tensions could lead to some sort of direct controls over prices, wages, and profits.

Barring a shooting war, though, the prospects for a rise seem fairly good. From now on, corporate earnings will compare favorably with last year's figures, and the economy as a whole should begin to reflect the impact of higher government expenditures as well as rising personal incomes. True, the market is already discounting a substantial increase in economic activity—and in corporate profits—but rises in dividend payments and yearend extras, combined with a general stepup in business activity, should help to restore investor confidence.

Indeed, a number of analysts think that some of the electronic stocks will rise in any turnaround for the market as a whole. However, the chances are that the demand for the more standard industrial issues, and cyclical, including the railroads, will be favored in any rise.

FRB moves to plug loopholes in rules governing stock purchase loans

The Federal Reserve Board is about to crack down on non-bank money lenders, who up to now have been able to escape FRB regulations on extending credit for stock purchases. The board will soon issue a standard report form that factors and other non-bank lenders—who make a business of lending money at high rates of interest—will be required to file with the Fed either monthly or quarterly. The effect, the board hopes, is

to get some automatic enforcement of the rules that some lenders have been able to ignore.

It's doubtful, though, whether the new move will do the job. In 1959, the board took a stab at dealing with factors by requiring that (1) any person lending money to finance the purchase of stocks would have to file such reports as the board might require, and (2) any bank lending to a factor who had a substantial part of his business in lending for security purchases must report such a loan as though it were a stock-purchase loan.

The number of firms involved is relatively small—perhaps 70 or so, most of them in New York, Boston, and Chicago. But it has still been difficult to keep tabs on them, so now the board will require regular reports.

Mutual fund shares still perform well despite stock market's third-quarter decline

The sharp drop in stock prices during the third quarter exacted its toll on investment company performances, but, by and large, most mutual funds have done well so far this year. A report by Arthur Wiesenberger & Co. shows that growth stock funds—aimed at capital appreciation—were among the hardest hit in the third quarter, largely because of their big stake in electronics. But for the first nine months of the year, growth stock funds still have outperformed all other groups, admittedly by a narrowing margin.

Life insurance funds show the hottest streak, which represents a big improvement over their mediocre performances in recent years. Century Shares, for instance, rose 9% in net asset value last year, and 5% in 1959—but in the first nine months of this year it increased 46%.

Flurry of adjustments hits money market in wake of strike at Ford

Commercial paper rates bobbed up and down this week following the strike at Ford Motor Co. Ford Motor Credit Co. set off the adjustments when it lowered its short-term paper rates, and raised rates on its long-term paper. It lowered its short-term rates, naturally enough, because it isn't expecting much wholesale business in the next few weeks; demand, in any case, has been light due to the slack in consumer credit. Most other credit companies quickly followed Ford's lead.

But Ford Motor Credit apparently looks for a short strike and increased demand by yearend, so it boosted long-term rates. In addition, Ford has been having a little trouble attracting long-term funds—which is the most profitable part of the business—and its new rates may draw more corporations with idle cash. The bigger credit companies, however, aren't in this position; hence they didn't follow suit immediately.

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Should high schools teach economics?

Task force set up by Committee for Economic Development and American Economic Assn. urges high schools to add controversial subject to their curricula

One of the oldest cracks about economists is that if you laid them all end to end, they would never reach a conclusion. Economics itself is regarded, by most laymen, not as a systematic body of knowledge, but as a foggy battleground on which opponents of different ideologies or interests clash by night.

One result is that most high schools have shied away from teaching the complex and controversial science—or even from including economic issues or problems in such courses as civics, problems of U.S. democracy, or American history. According to the Committee for Economic Development, a research group of U.S. business executives, "the American high schools produce economic illiterates."

Task Force roster. To try to remedy one of the most critical aspects of this problem—uncertainty about what kind of economics courses the high schools should teach—CED a year ago announced the creation of the national Task Force on Economic Education. The group is headed by George Leland Bach (picture), dean of the Graduate School of Industrial Administration of Carnegie Institute of Technology and a leading economist. The assignment: to describe "the minimum understanding of economics essential for good citizenship and attainable by high school students."

Bach and four other top economists—Lester V. Chandler of Princeton, Robert Aaron Gordon of the University of California, Ben W. Lewis of Oberlin College, and Paul A. Samuelson of MIT—were picked for the Task Force, not by CED, but by the economists' professional society, the American Economic Assn.

In addition, the Task Force includes two leading experts on secondary education, Arno A. Bellack of Teachers College of Columbia University and M.L. Frankel, director of the Joint Council on Economic

Education—a group that has been working to raise the level of economic understanding of teachers throughout the country.

Nonpartisans. Once established, the Task Force became completely independent of both CED and AEA. CED, as a business-oriented body, was particularly anxious that the Task Force as a group be regarded as nonpartisan. The abiding problem of civic groups that try to spread economic understanding is that virtually all are vulnerable to the charge that they are preaching doctrines in their own interest—whether the interest is that of business, farm groups, labor, or even individuals with an ax to grind.

This week, in making public the Task Force's report, Donald K. David—chairman of CED and former dean of Harvard Business School—declared that "those seeking to forward special interests and those who believe that the teaching of economics should be indoctrination will find scant comfort in the report." David noted that the report stresses, above all, development of "objective, reasoned consideration of economic issues as a basis for thorough understanding and wise choice."

Recommendations. The authors of the report emphasize that high school courses in economics should not avoid controversial issues. David likens the spirit of the report to "the spirit of working democracy," and, speaking for CED, says "We believe this is as it should be."

The Task Force stresses the importance of the kind of economic teaching that will lead students to examine and think through major economic problems for themselves. The group recognizes that many high school students lack the maturity and full understanding to do a good job of reaching their own conclusions on complex issues. But the Task Force emphasizes that unless



George Leland Bach thinks teenage students need essentials of economics.

they are given the opportunity for this kind of economic analysis under objective and sympathetic guidance in the schools, they have scant hope of doing it on their own—as voters, workers, businessmen, or in any other social or economic role. The Task Force urges school boards, administrators, and the public to support the right of students to this educational experience.

Essential tools. To make this experience more educational than emotional, the Task Force devotes most of its report, *Economic Education in the Schools* (CED, New York, \$1), to describing some of the analytical tools and concepts that students must grasp.

The Bach committee contends that a major advance in understanding is possible without complex concepts and theories. Rather, what's needed is an understanding of a few essential concepts and a few major economic institutions—such as the marketplace, supply and demand, the corporation, labor unions, profits, and wages—plus a knowledge of how these fit together in the functioning of the economy.

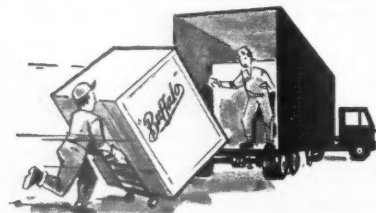
Basic problems. The group wants students to grasp the way in which our economy—or any other, whether capitalist, Socialist, or Communist—solves these economic problems:

- What goods and services to produce.
- How much of them to produce



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—and how fast to increase output.
▪ Who should get the goods and services produced.

Main regulators. In its account of how the U.S. economy determines the answers to these questions, the Task Force describes the way "markets, in which prices rise and fall in response to changing demands and supplies, provide the links which mesh together consumers and businesses, each seeking to make the best of its own position and abilities, into a working system."

While stressing that individual freedom of choice is central to our private enterprise way, the report argues that students need to understand that individual freedoms of the consumer and of businessmen "are limited by laws and by social and moral pressures for the protection of the individual and society." Thus, the report notes, markets and prices are the main regulators of the allocation of resources into the production of the most desired goods and services; but governments set the rules under which competition takes place, and sometimes participate actively in the processes of production and distribution.

Government role. The report suggests that high schools should not duck the task of explaining the modern contracyclical theory to show how governments seek to promote an economy's growth and stability. Students must come to recognize that government budget surpluses can decrease total (government plus private) spending, and that government budget deficits can increase total spending. Government taxes and expenditures thus provide "one mechanism for influencing the level of income, employment, and prices in the economy," the report adds.

Case studies. On the equally controversial topic of distribution of income—"who gets what"—the report urges students to understand that "struggles over income shares are one of the most vigorous and continuing of our economic problems."

In that connection, the report suggests that the history and actions of labor unions, the farm problem, the social security problem, and other current issues provide an excellent opportunity to study income distribution and to apply "fundamental economic analysis to major social problems at an elementary level."

Other systems. The report also urges every informed American to get an idea of how other types of economic systems—especially Communism—work. It stresses that fear of controversial subjects should not be permitted to exclude objective discussion of Communism from the

classroom, and suggests that the same broad questions—what, how much, and for whom goods and services should be produced—provide a framework for comparing alternative systems with the U.S. economy.

Such recommendations are likely to be hot potatoes to many school boards and administrators. But a CED subcommittee, headed by A. L. Williams, president of International Business Machines Corp., says that questions of the content of economic courses are more troubling to school systems without economics courses than to those that offer them.

Shift in thinking. The Task Force recommends that more time be devoted throughout school curricula to developing economic understanding, especially in such areas as social studies and business education. Wherever feasible, it says, high school students should take a course in economics, or its equivalent under another title. All high schools of substantial size, it contends, should have at least an elective senior year course in economics.

This report—coming from a panel of leading economists appointed by AEA—represents a major shift in thinking for professional economists who, until quite recently, either ignored high school economics or considered it a useless course as handled in high schools in the past.

The report recognizes that there is a dearth of high school teachers qualified to teach economics, and suggests that higher qualifications be required of high school economics teachers.

Inadequate texts. The Task Force also finds present texts and materials for teaching economics in high schools sadly deficient. This is likely to set off a wave of activity by private publishers bidding for what promises to be a fast-expanding market. So far, five major publishers are reported to have commissioned new high school texts in economics, based on the findings and recommendations of the Task Force's report.

The report does not make a frontal attack on other types of groups, especially interest groups, that try to impose their own types of economic education—some would call it "propaganda"—on the public. However, the report does recommend that "individual citizens, business firms, labor unions, farm organizations, and other influential groups take responsibility for supporting expanded teaching of economics in an objective way in the schools." **End**

Somewhere South of Jacareacanga...

SEPT 13 PRESS MCGRAWHILL/NY

WILHELM EXBUENOSAIRE COMBEN REPORTED MISSING TWO DAYS IN BRAZILIAN JUNGLE
STP WILL BE BACKSTOPPING HERE MEANTIME ENDIT MURCHISON BUENOS AIRES

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CAN YOU FIND OUT IF BRAZILIAN AIR FORCE LOOKING FOR MISSING PLANE AND
ADVISE CABLE STOP MIGHT TRY BRITISH EMBASSY AS HE ENGLISH THANKS WILHELM
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JACAREACANGA AND CACHIMBO NO DEFINITE INFORMATION YET MORE LATER
SAMPAIO RIODEJANEIRO

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JOHNSTON RIODEJANEIRO

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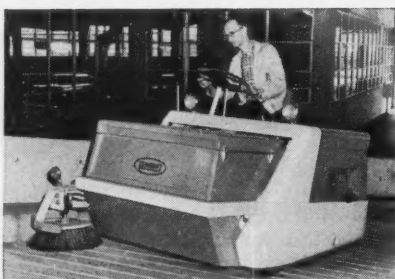
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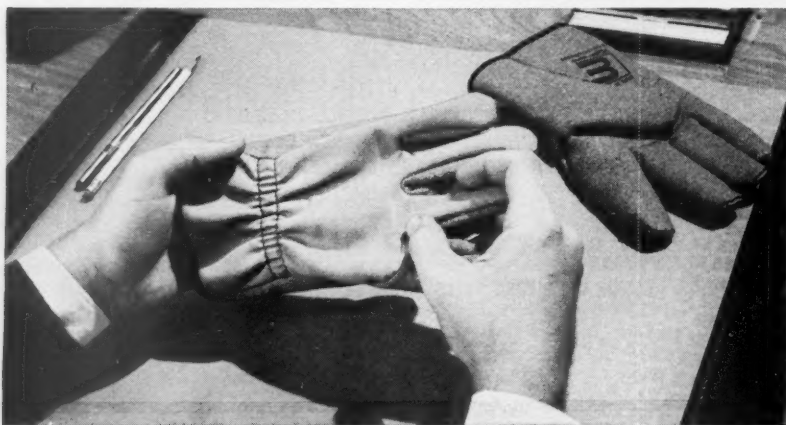


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New data source for business

Census Bureau is making
public report on
business cycle indicators

A massive new source of up-to-the-minute information on economic trends will become available to business later this month. The Census Bureau will make public for the first time its Monthly Report on Current Business Cycle Developments, which has been going confidentially to top government officials for the past four years [BW Mar. 20 '60, p84]. The Administration has decided to make the report generally available in the belief that it will prove useful to business forecasters.

Basically, the new Census Bureau publication will consist of a long series of tables showing the movement of about 350 economic indicators over the business cycle. They will be prepared on Census Bureau computers in the five days immediately preceding publication—about the 20th of each month.

Business forecasters will be mainly interested in the behavior of the elite group of 70-odd economic series that, in the opinion of the Census Bureau, have won their spurs as "leading" indicators—economic measures that quite consistently turn up or down before business as a whole does.

Raw data. The new publication will contain only the data showing movements of the indicators—without any interpretation or conclusions by the Census Bureau of what the indicators are indicating.

The effectiveness of the indicator approach is a controversial subject among economists; some find them an extremely useful tool—others consider them better indicators of what has happened than of what will. Personally, Julius Shiskin, chief economic statistician at Census, who has headed the project since its inception four years ago, feels that the Census Bureau's indicators "have predicted business very well over the test period." But he warns: "Anyone who relies on indicators alone for forecasting would be foolish."

The new publication will be obtainable from the office of the Chief Economic Statistician, Bureau of the Census. **End**

October 7, 1961

Bermuda entices visitors the year around

The fall months in Bermuda give you plenty of elbow room and good golfing weather—with temperatures mostly in the 70s. And autumn's slower pace is relaxing.

However, Bermuda's golfing and fishing, British shops, varied hotels, and historic sights thrive year-round. The 22-mile-long island—shaped like a fishhook in the Atlantic, just 753 miles southeast of New York—rarely gets too hot or too cold. And, like the weather, the surroundings are usually serene—except for a bit of jamming during college spring vacations.

Booking is no problem for fall—or for winter, which is even more tranquil. Wintertime temperatures range between 55F and 70F, and Bermuda becomes ideal for resting, island exploring, and golf—with a bit of wind.

March brings a fresh surge of activity, with a spring influx of young marrieds and students. For this season, reserve four months in advance. And for summer—fairly hot but breezy—plan reservations six weeks ahead.

Accommodations are varied

Newest hotel, recently opened, is the oceanfront **Carlton Beach**, on the south shore in Southampton. It has gay, ultra-modern decor, de luxe facilities, and some lively after-dark entertainment.

The **Elbow Beach Surf Club**, nearby in Paget parish, is pleasant, modern, too—it merits its A-1 reputation. If you're a golfer, you may want to try the **Castle Harbor Hotel**, with its own 18-hole course—it's less modern.

Hotel Inverurie is cheerful and small, harborside across from the town of Hamilton (the island's only city, pop. 3,000).

The "cottage colony" may be to your liking if you want a more private atmosphere. Here you live in a small, complete apartment-cottage.

The **Coral Beach Club** in Paget (by introduction), the **Lantana**, and **Cambridge Beaches** in the village of Somerset, **Pink Beach Club** in Smith's parish, and **Ariel Sands** in Devonshire parish are all of high caliber.

Island's history worth exploring

The town of St. George, at the northeastern tip of the island, preceded Hamilton as the capital; it dates to 1612. Among the sights to see: St. Peter's Anglican Church, oldest of its kind in the Western Hemisphere; St. George's Historical Society, with relics of early Bermuda, and Fort St. Catherine, with colorful dioramas depicting historical episodes. The island, incidentally, is dotted with intriguing old country churches.

In Hamilton, you'll want to visit the **Bermuda Library & Archives**, where rare books, documents, and relics predate much of colonial America. See the City Hall, too, where local artists exhibit, and repertory theater is held. While you are out sightseeing during the day, you might lunch at **Tom Moore's Tavern** in the country not far from Hamilton.

Golfing, fishing, bargain hunting

Golf is Bermuda's No. 1 sport, with four 18-hole courses to play. Most famous is the **Mid-Ocean Club**, in Tucker's Town (by introduction through your hotel). Others are the nearby **Castle Harbor Hotel** course, **Belmont Manor Hotel & Golf Club**, and **Riddell's Bay**. **Mid-Ocean** and **Castle Harbor** are both challenging courses, tough, hilly; the others are easier rounds.

Deep-sea fishing has its best season May through October, with wahoo, and yellow and black fin tuna the chief game catches. Boats are for charter at \$75 a day, taking up to six people; tackle is furnished, if you need

Personal business Continued

it. The Fishing Information Bureau, 50 Front St., Hamilton, has details.

Shopping, of course, is a sport all its own in Bermuda. Your wife will find some excellent bargains in perfume—but caution her against picking up unknown brands. Liquor costs about half U.S. prices.

Note on transportation: There are about 500 small-size taxis on the islands, and this is by far the best way to get around. Motor bikes are for hire, too, but are dangerous on the narrow, sharp-turn roads.

Help alma mater —and ease your tax burden

College fund-raisers will almost certainly be ringing your doorbell with special vigor this fall, partly because recent big gifts such as the Ford Foundation's carry with them a requirement that the schools match the grants on their own. The question—besides how much to give, if anything: **What donation method should you use?**

Cash is the obvious way. However, in recent years, a number of special plans have been tried to enable the donor to ease his tax burden [BW Oct. 22'60,p157]; this year, two of these seem to have gained widest support.

In both, the mechanism used is the lifetime trust. A higher-bracket executive sets up a trust that, in effect, transfers part of his annual portfolio income to the college for a term of years. Not only does he benefit the school, and free himself of tax on the donated income, but he can (1) get a liberal lump-sum tax deduction, and (2) return the trust principal to his family—though not to him personally—at the end of the term.

A 10-year income trust, for example, entitles him to an immediate lump-sum tax deduction equal to 29% of the total trust principal.

How second plan works

Second method reverses the first. The executive gives the principal to the college and retains the income during his lifetime. He gets an immediate tax deduction, again based on liberal IRS tables of value; his heirs get an eventual reduction of his taxable estate based on the value of the trust property at the time he dies—even though the property may have increased greatly in value.

Say you are age 50, in the 50% tax bracket, and donate \$20,000. You get a lifetime income at, say, 4%, or \$800 a year. In the year of donation, you're entitled to a tax deduction of \$9,600, based on Treasury actuarial tables. Since you're in the 50% bracket, you save \$4,800 in taxes—thus your real investment is just \$15,200, your actual return, 5.26%.

Caution: Many colleges have set up their own plans, but to play safe, you may want to have your personal tax adviser check the arrangement.

Fallout shelters and radiation

A Congressional committee has warned that some contractors may be building family fallout shelters (page 32) without proper knowledge of materials and methods. A buyer is advised to check first with local Civil Defense authorities—some are furnishing lists of qualified contractors [BW Aug. 19 '61,p121]. If you will be in Washington in the next few months, a detailed shelter exhibit, showing acceptable materials and such, has been put on display at the National Housing Center, 1625 L St., N. W.

Meantime, an American Medical Assn. survey emphasizes that the recent boost in fallout in the U.S. is "insignificant" in its possible effect on health. The fallout contains very little radiation compared with the amount naturally occurring, says the survey; and, in any case, there is no proof that distant fallout causes disease or genetic effect in humans.

Contents copyrighted under the general copyright on the Oct. 7, 1961, issue—Business Week, 330 W. 42nd St., New York, N. Y.

NEW PRODUCTS

Maker of heavy diesels invades lighter truck field

Cummins Engine Co. switches from in-line to V-type engines
to get rid of weight without sacrificing power.

"Oversquare" design was borrowed from auto gasoline engines

Cummins Engine Co. isn't an outfit known for its new products. Quite the contrary, it built its \$135-million-a-year business by single-mindedly sticking to a relatively narrow line of husky, heavy, and remarkably long-lived diesel engines. The simple strategy has paid off handsomely. Last year, Cummins sold about 60% of the 42,000 diesel truck engines that took to the road. It also turned out a fair share of the diesel engines used in off-the-road construction equipment, though its penetration of this market is hindered by Caterpillar, Euclid, and other equipment makers that build their own engines.

So it has been with more than usual interest that the diesel fraternity has been watching a new 100,000-sq.-ft. plant in Columbus, Ind., where Cummins is starting to make a whole new line of V-type diesel engines for trucks. Until now, Cummins has stubbornly stuck to six-cylinder in-line engine design.

The step into V-6 and V-8 truck engines took long deliberation and considerable prodding by competition. Two years ago, Caterpillar and General Motors' Detroit Diesel Engine Div. brought out lines of compact diesels; Hercules Motor Corp., Mack Trucks, and International Harvester Co. also tooled up for smaller engines.

In January, 1960, Cummins started an intensive design and development program to make a diesel that, it hoped, would technically leapfrog the competition and at the same time put Cummins in a position to supply engines for lighter trucks—a market the industry believes is its next big growth area.

"Oversquare." To get sufficient power from a smaller and lighter package and still stick to a conventional four-cycle engine, Cummins engineers took a leaf from the book of gasoline engine design. The new Cummins diesels are "oversquare"—that is, the diameter of the cylinder is greater than the piston stroke. Oversquare design enables

an engine to develop more power at higher speeds. Most automobile engines now are oversquare, but diesel designers have stuck to the long-stroke engines. While several of them have experimented with the oversquare principle, they soon abandoned it. According to Vice-Pres. (Research) N. M. Reiners, Cummins turned the trick by finding the right combination of fuel and air to inject into the combustion chamber.

Cummins is producing two compact engines in small quantity—the Vim, a 200-hp. V-6, and the Vine, a 265-hp. V-8. The Vim at 1,475 lb. and the Vine at 1,800 lb. are shrimps compared to Cummins' best-selling 220-hp. truck engine, which tips the scales at 2,590 lb. Cummins is also tooling up for an even smaller powerplant—a 120-hp. V-6 called the Val. With this engine, Cummins hopes to crack the big market for smaller trucks.

Right now, diesels are well established in only one truck size—the big cross-country rigs of 13 tons and over—and this market has about reached its peak. Currently, about 44% of the trucks in this size range are diesel, and few in the industry expect that ratio to exceed 50%. Besides, the big trucks account for only 6% of the trucks produced.

With smaller, lighter diesels, Cummins hopes to crack the next smaller truck size—from eight to 13 tons. Currently, less than 1% of these trucks have diesel engines, and the 221,000 trucks sold in this category last year amount to 22% of all truck sales. It will undoubtedly take a few years before the diesel makes significant gains in ousting the gasoline engine from the medium-size truck. Diesels are much more economical to operate, but they cost from \$1,000 to \$4,000 more than a gasoline engine of equal horsepower. According to Cummins' figures, a truck operator can pay off his diesel investment in about three years if he operates his truck 4,000 hours a year. **End**



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Crisis in helium puffs up a boom

Need for gas in missile and space uses, plus government stockpiling to assure future supply, spur fast expansion that brings in private industry for first time

Three years ago in Manhattan, Macy's festive Thanksgiving Day parade fell on calamitous times: When the moment came for puffing up the gigantic Popeye, Spaceman, and Gorgeous Gobbler helium balloons, there was no helium. In desperation, Popeye and Spaceman were finally inflated with air and lugged clumsily along by derricks; Gorgeous Gobbler was left behind, for want of a crane big enough to hoist him.

Small though this calamity may seem, it echoes a crisis that is bringing some vast and rather abrupt changes in the whole character of the helium business. Almost overnight, helium capacity is expanding at a dizzy pace, a 36-year-old government monopoly will soon be broken, and out of it all, helium—for years, considered only an obscure gas for lifting blimps and weather balloons—is suddenly winning its spurs as a quite respectable and highly sought-after natural resource.

Today, only 5% of the helium produced is sold for lifting; the rest finds its way into a score of research and industry jobs that didn't even exist 10 or 15 years ago.

Rising curve. Our prime source of helium is natural gas. But its helium content varies, and not all natural gas provides a usable source of helium. Generally, a 0.5% yield is considered good; in some rare instances, natural gas may run as high as 2% or 3% helium. Natural gas from the Southwest provides the main helium source.

Though helium's big splurge is recent, its market growth has been spectacular for years. Before World War II, 6-million cu. ft. of helium was processed annually. Since then, the market has jumped 15% to 20% almost every year, and in 1960 hit 600-million cu. ft. By 1965, yearly demand will nudge 860-million cu. ft., the Interior Dept. predicts, and by 1970, more than 1.3-billion cu. ft.

Supply problem. Today's capacity can match present needs, but never these enormous requirements for the future. Right now, about 99% of the

free world's helium comes from five plants owned and operated by the U.S. government in the Kansas, Oklahoma, New Mexico, and Texas natural gas fields. These plants are small, and at full capacity could produce only 700-million cu. ft. of helium annually.

What worries the government is that each year over 4-billion cu. ft. of helium that is not distilled out of natural gas simply vanishes into the air when the fuel is routed on to the consumer and burned in his gas stove or furnace. At that rate, the Southwest's entire helium supply might dry up in 25 or 30 years. And new sources of helium are scarce; the last major find of natural gas rich in helium came in 1943.

Multipurpose. What is making helium such a hot commodity? For one thing, it is considered more now than just a lighter-than-air gas. It has unique talents needed desperately for today's high precision missile and space work.

Helium is nonflammable, nonpoisonous, and a good conductor of sound, light, and heat. It is also totally inert, and will not react chemically with any other known compound.

These qualities are opening up for it some newer, bigger markets:

- In missiles, accounting for about 21% of helium sales, compressed helium maintains pressure in fuel tanks as the fuel is burned off, and keeps the walls of the tanks from caving in. This means a thinner, lighter skin can be used on the missile, lengthening out the range.

- In atomic reactors, which take 19% of today's helium production, helium doubles as a leak detector and circulating coolant.

- In industry, helium makes an ideal gas shield for welding aluminum, magnesium, titanium, and stainless steel. This shield effect reduces oxidation. Helium is also at work in the refining of certain "wonder" metals—notably, titanium and zirconium—and in the growing of germanium and silicon crystals for transistors.

- In cryogenics, the study of materials and how they're affected by supercold temperatures, helium in its more frigid, liquid form can be taken down to a temperature lower than any other known substance. Some research is under way, for instance, with a "cryotron," a device no thicker than a cat's whisker; in a bath of liquid helium, the cryotron can do almost the same job as a transistor or vacuum tube.

Simple. There's still another endearing quality about helium. It's rather easy to produce compared with other heavier, higher-temperature gases.

At a helium extraction plant, the temperature of incoming natural gas is simply dropped low enough so all the elements except helium and part of the nitrogen liquefy and separate out. This helium-nitrogen combination—"crude helium"—can either be stored, or further purified in another frosty environment to produce pure helium.

Storing it up. The furious pace of building that has hit the helium field owes its momentum to a massive conservation program just launched to provide for future needs and assure that the helium supply won't run out in three or four decades.

The Interior Dept. plans to stockpile 52-billion cu. ft. of helium by 1985 [BW Aug. 19'61, p38], and needs about 12 new extraction plants to do the job. Private operators—with helium purchase contracts from the government—will build the plants, and the Interior Dept. will then buy what they produce. The helium—actually, crude helium—will be pipelined to the government's Cliffside Gas Fields near Amarillo for storage until 1985. Other new helium plants might be needed along the way just to keep up with the market's year-to-year growth.

Interior can spend \$47.5-million a year for its stockpile. So far, just two contracts have been signed—worth, together \$18.6-million a year. These two plants alone will triple capacity. One contract is with Helex Co., a

MONSANTO: CHEMISTRY ON THE MOVE TO THE FUTURE



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subsidiary of Northern Natural Gas Co., and the other with Cities Service Co. Both commit the government to buy specified amounts of helium for 22 years.

The Helex plant, which will produce 700-million cu. ft. of helium a year, should be finished by late 1962. The Cities Service plant will produce 600-million cu. ft. a year, and is slated to be in operation by late next year or early in 1963. Both plants will be in Kansas.

Two other contracts appear imminent—for Helium Conservation Corp., and Panhandle Eastern Pipe Line Co. Contracts with 10 other companies are also being studied, and Interior is inviting other proposals. The exact number of plants going up will depend on how many are needed to meet conservation goals, with enough capacity left over to meet yearly needs.

On its own. One company is going ahead without a government stake. Kerr-McGee Oil Industries, Inc., is building in Navajo, Ariz., the country's first helium plant that's strictly privately financed, without benefit of a government purchase contract.

Kerr-McGee will tap a gas supply with an extremely high helium content, running about 8%. This is not natural gas, at least the hydrocarbon-type of natural gas used for fuel. Kerr-McGee's gas is non-combustible, containing almost no hydrocarbons. The plant, going on stream next month, will have a capacity of 65-million cu. ft. of pure helium a year.

Financing. All this may look as if Interior is throwing the helium business wide open to industry. It's hardly that sweeping. From one point of view, you might even say that the new program boils down to little more than a change in the way government books are kept. Instead of borrowing from the Treasury Dept. to build the 12 extraction plants it needs, the Interior Dept. will simply borrow from the Treasury to pay industry for the helium.

At \$11 or \$12 per 1,000 cu. ft.—the price the extraction plants will receive, depending upon the quality of the helium—Interior will pay out over \$600-million for its helium stockpile. In return, industry will invest about \$175-million to \$200-million in the new plants.

To pay for the program, the Interior Dept., the country's only present source of helium, plans this fall to raise the wholesale price at which it sells helium from \$19 to \$35 per 1,000 cu. ft.

Out of this \$35 per 1,000 cu. ft., the Treasury will be repaid with interest. In addition, the Interior Dept.

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will pay the Treasury about \$40-million, plus interest, still owed on the present government-owned plants, and pick up the tab for pipelines and facilities to purify crude helium that's stored at Cliffside.

Shying off. Since this higher wholesale price covers costs a private helium supplier wouldn't have, the field might look like a bed of clover for private operators going in on their own, without government ties. There's another advantage for them: Helium producers under contract to the government can't sell any of their helium commercially, but private suppliers are free to sell helium to the government as well as commercially.

So far, though, Kerr-McGee is the only company sticking its neck out. Others that were once interested apparently backed off, as far as the Interior Dept. knows.

There are several reasons why. The government is helium's biggest user, as well as its only present producer, and will be protecting its stake. Already, government agencies must buy "major requirements" of helium directly from the Interior Dept. If private suppliers begin moving in on helium-using companies that work on government contracts, and steal that market, the government would simply insist on supplying the helium needs of its contractors.

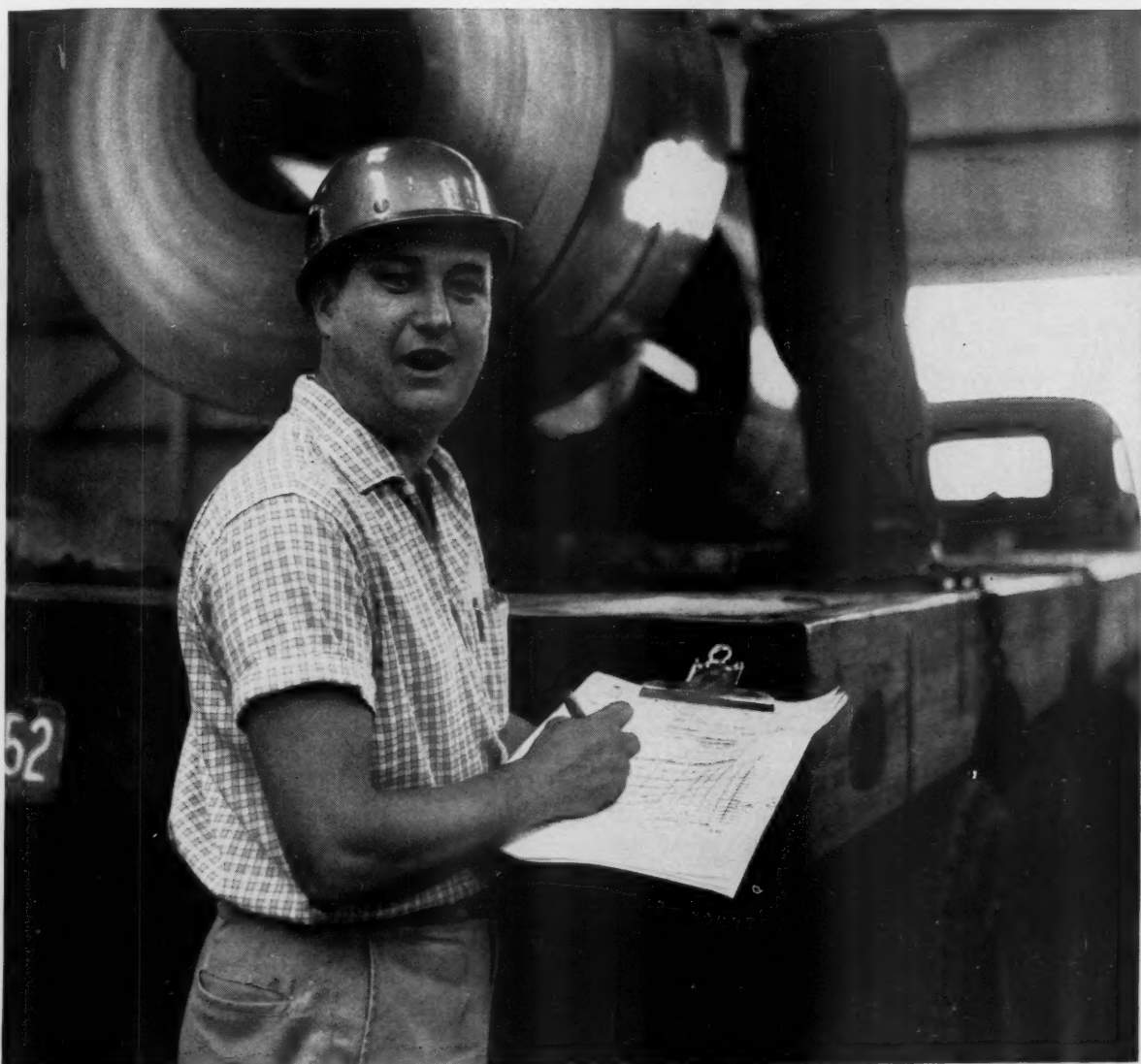
The private producer might have a hard time without this business. About 75% of the helium produced is sold directly to federal agencies, and companies working on government contracts buy 15% to 20% more. That leaves less than 10% sold for private use.

Uncertain. There are other reasons why a stampede of private suppliers seems unlikely. The specter of a gigantic helium surplus overhanging the market would probably scare off more than a few.

The chances are strong, too, that the government program may even be broadened. Two or three years ago when Interior originally sought funds for helium stockpiling, the department wanted a \$60-million-a-year program instead of the \$47.5-million it got. Interior Under Secy. James K. Carr still hopes to get the larger amount if the present program is successful.

"No one can say yet how strongly private, commercial suppliers will finally figure in all this, if at all," one insider commented last week. "The only thing we know for sure is that the market for helium is headed into a period of fantastic growth and change. And it looks like we'll be ready for it." **End**

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Dow's Plant B after Carla had passed

Costly, time-consuming job

Cleaning up a plant after a hurricane

Dow Chemical Co. faced novel problems in repairing its two big Freeport plants after Hurricane Carla, but it managed to restore operations in two hectic weeks

Tuesday morning, Sept. 12, dawned like a sigh of relief over the Texas coastal town of Freeport. Rain still drizzled down, and dazed citizens had only begun to add up the damage—but Hurricane Carla had passed inland [BWI Sep.16'61,p118].

At Dow Chemical Co.'s Texas Div., with an estimated \$750-million invested in two vast plant complexes straddling the town of Freeport, 20 years of the division's engineering had withstood every 100-mph. gust Carla had thrown. Not one process tower had failed. In the clearing weather, both plants stood tall and staunch—and totally inoperative in 4 ft. of seawater.

"We might as well admit it—we never expected water in the plants," says the Texas Div.'s general manager, Earle B. Barnes. "We thought we were ready," J. T. Faubion, manager of planning and distribution for the division, echoes ruefully.

Yet within the day, Dr. A. P. "Dutch" Beutel, the Dow vice-president who oversees all the company's Gulf Coast operations and who created Dow "Freeport" out of a salt flat, had relayed a report back to Dow's annual stockholders' meeting that Freeport expected to be back on the line in two weeks. And as of Oct. 1, the division had just about made good its target—it was bettering 90% capacity.

How Dow accomplished this, and what they learned in doing it, provide valuable lessons for every company with process facilities in Eastern and Gulf Coast hurricane belts.

I. The shutdown

Texas Div. managers can be excused for making their preparations against wind and not against water. Dow's two plants were protected by company levees 18 ft. above sea level. Between these and the sea, an 18-ft. municipal levee swung wide around Freeport to an inland

point that seemed safe from rising tides.

To be sure, a 1957 engineering survey by Lockwood, Andrews & Newnam, Inc., had projected the possibility of a 15-ft. tide. But no storm tide in the area's history had ever topped 10 ft.—until the massive winds of Carla's northeast quadrant swept 14.7 ft. of water in from the Gulf.

Under and around. At Dow/Freeport's Plant A, company levees beat the storm back until Sunday afternoon, when rising water in a canal undermined the floodgates of a flume leading to the Ethyl-Dow ethylene dibromide plant. That opened a 20-ft. hole under the concrete gate-seat, quickly flooding the entire 500-acre plant site.

The 1,200 acres of Plant B, a few miles farther inland, stayed dry until the height of the storm Monday afternoon. Then tides penetrated inland to a point where the 18-ft. municipal levee tapers down to 10 ft. Rising water poured around the higher wall and swept across Highway 288 to inundate the upper eastern side of the plant. Came a shift of wind, and almost all of Plant B was a 4-ft. lake.

Battening the hatches. Carla's slow, predictable progress in from the Gulf had given Barnes and his managers all the time they needed to shut down the Freeport complex in an orderly manner. Periodic weather bulletins were plotted on a map in the administration building, and when Carla changed direction to head straight for the South Texas coast, an almost full shift was available for shutdown.

Barnes knew he couldn't count on the men of his graveyard shift—they would be heeding evacuation advisories and heading out of town by that night. But plant superintendents had been on the alert all day, and everything loose had been picked up.

The plants thus were able to come down so fast that Dow's power plants had trouble coping with the pressure buildup as the load decreased, and the company's Brazos Oil & Gas Div. personnel were kept hopping to shut off gas wells that supply the plants as fast as these were no longer needed.

All chemical process facilities can be shut down completely, but some units need time. High-temperature plants must cool slowly; lime kilns will pop their bricks if cooled too quickly; electrolytic cells must be drained and some lines and towers flushed out.

Dow had more than the 6 to 8 hours needed for these slower shutdowns, and by Sunday evening everything was buttoned up.

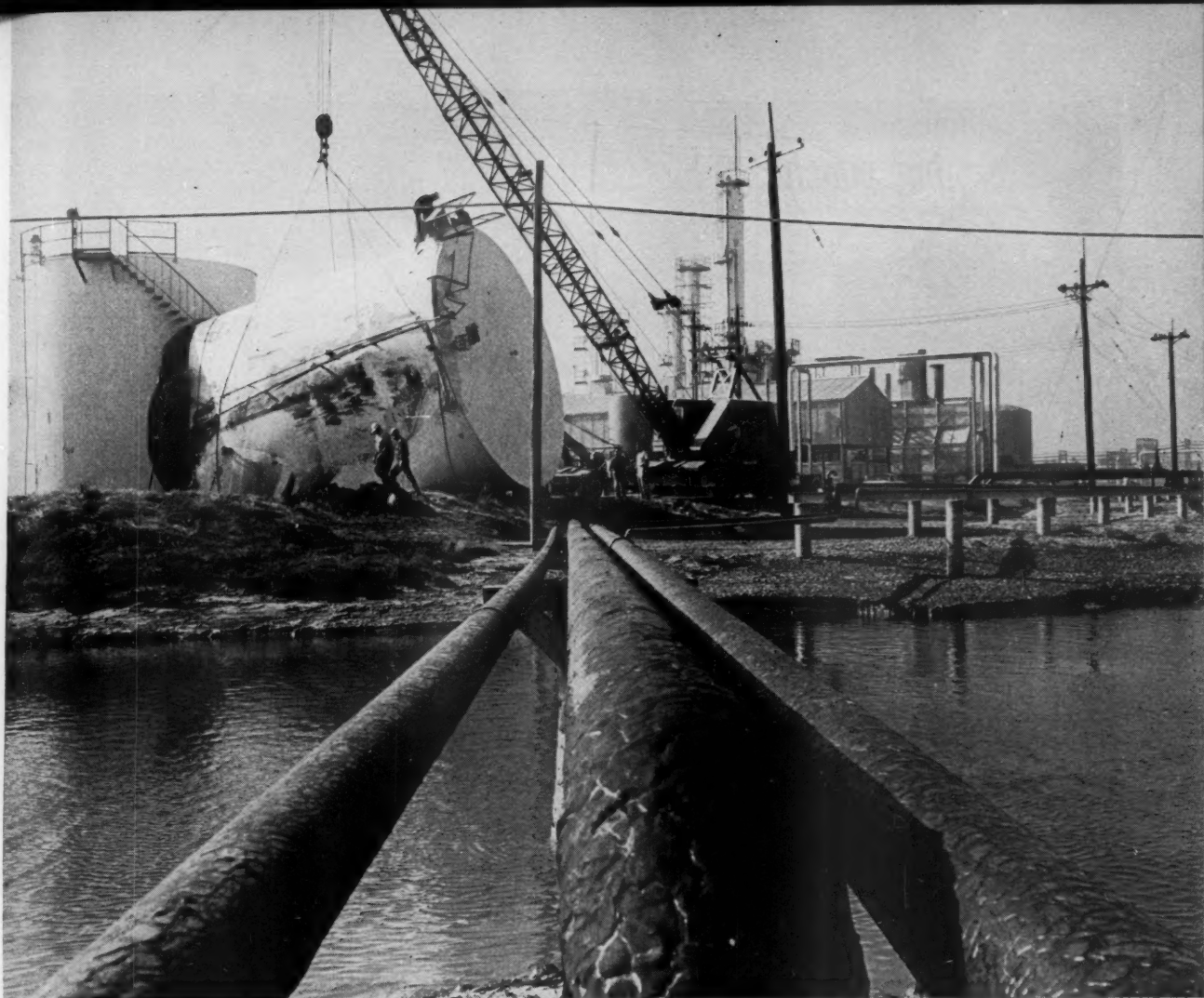
II. The sizeup

Dow's Freeport plants had been weathering hurricanes since the first processes went on line in 1941, and up to now everything had been done according to well-established procedures. But with the flooding of Plant A under the Ethyl-Dow flume gates Sunday, the experience became unique.

Changed agenda. Even then, Plant B was still high and dry, except for rain water. Dow's emergency storm center in Houston was still in communication with Freeport by microwave radio, and a meeting of all Texas Div. production and maintenance supervisors was called there for Monday afternoon to receive startup orders for Tuesday morning after the storm had passed.

Then the floods hit Plant B, and the management meeting at Freeport Tuesday morning, instead of programming the startup, had a 100% crisis to deal with—to get the water out of the plants, ascertain the damage, and decide what to do about it.

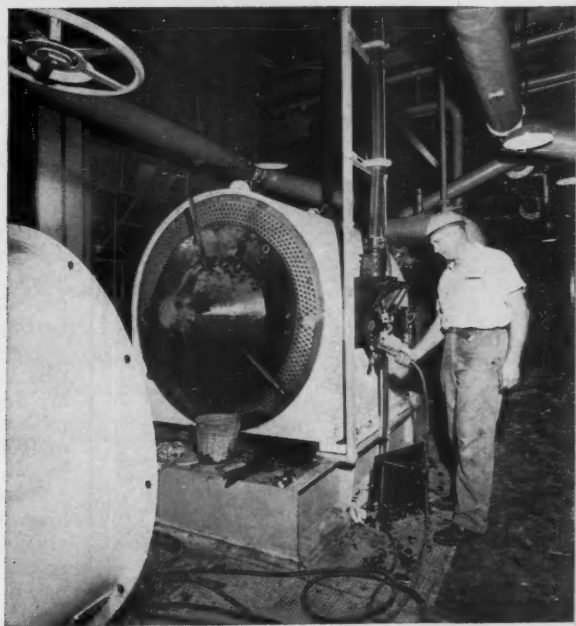
One of Dow's first jobs was to de-



A benzene storage tank became buoyant in the flood at Plant A, floated off its base, and overturned



Electric motors suffered badly from flooding. Thousands of small ones were taken apart, baked, and rebuilt. Big ones,



like the 1,500-hp. motor above, were dried by running current through them from welding machine generators.



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Office files and furniture at instrument labs were spread in the sun to dry.

termine a priority system for getting process plants back in operation. This required balancing several factors—how extensive the damage to a plant was and how soon it could be repaired, what the sales requirements for a particular product were and how high its inventories stood, which products are produced exclusively at Freeport and which ones could be backed up by other Dow plants.

Two-week inventory. Dow originally came to Freeport because cheap land was available in quantity, and so were cheap raw materials—seawater for magnesium, oyster shells for calcium, low-priced natural gas, sulfur and salt domes. But the Freeport complex is far from the center of Dow's market area, so the division has pioneered in low-cost water transport methods; it maintains high inventories at its terminal. Many Freeport products also are produced at the company's smaller but growing Plaquemine, La., plants and at plants at corporate headquarters in Midland, Mich.

At Freeport, Dow had built up some inventories for such a shut-down period. "On the average we were good for two weeks," says Faubion. "We've met markets from plant and terminal inventories, by providing from other Dow plants, or by borrowing or buying from competitors. This kind of thing can happen to you in a strike or because of unexpected sales fluctuations, too—we survived a five-week strike in 1956 and surprised our customers by our ability to meet their needs."

Priority list. Ideally, Dow would have liked to impose a rigid sequence for starting up various processes, but priorities also had to be based on the extent of Carla's damage.

For competitive reasons, Dow doesn't want to specify which

processes were considered most critical, but Beutel's report to the stockholders' meeting said that, once power plants were operating, the division would work first to get its chlorine, ethylene, polyethylene, ethylene oxide, polyglycol, solvents, and ethylene diamine plants back in production.

III. The startup

Getting started again required breaking many of the post-storm procedures established during 20 years of hurricane experience at Freeport. With only walkie-talkie communication at first between the A and B plants, initial rehabilitation could not be coordinated for the entire division, and each plant was put under a separate team. Clyde H. Boyd, magnesium production manager, headed the A team; Walter E. Roush, assistant general manager for the division, was in charge at B.

The first problem was to get utilities operating. "The important thing to understand is that we were flat—completely down," says E. J. Turner, Texas Div. manager of utilities. "We had no power, no lights, no water." All four Dow powerhouses were at a standstill, and no public power was available.

"It makes you wonder how the first power plant in the world got started," Turner says.

Bit by bit. The problem was solved by using a fire engine to pump water from a storage tank into a boiler at a Plant B powerhouse. This boiler was then able to build up enough pressure to start the auxiliary generators and get a main power unit going. From here on, the system gathered momentum.

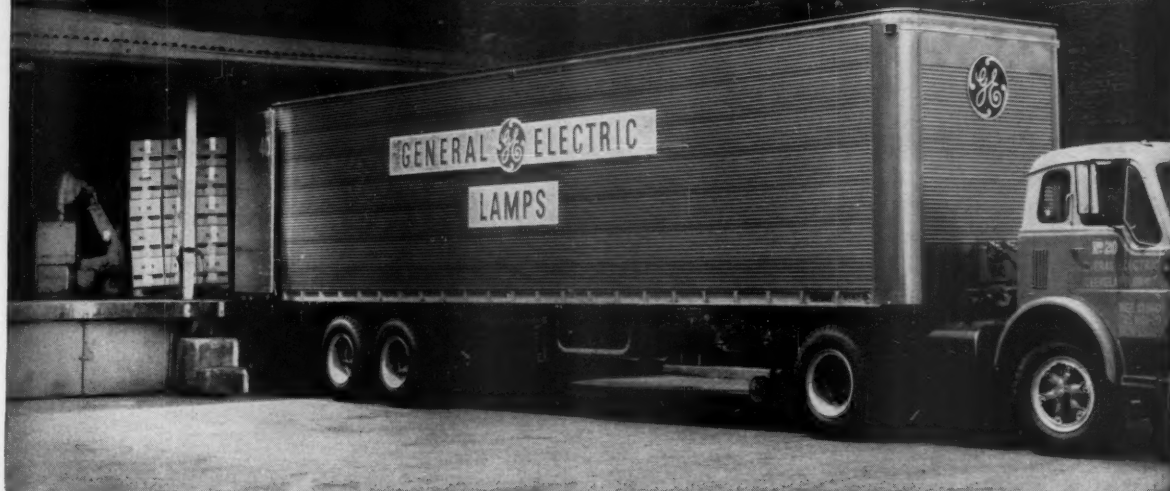
As for the water, Plant A was drained before Plant B. When the tides subsided, the water ran out through the hole under the flume gate just as fast as it had come in. Plant A was mostly dry by Wednesday morning; Plant B, which had to rely on surface drainage and pumps, was not free of water until Thursday.

With the water drained off and power established, rehabilitation activity picked up.

Carpenters began repairing wind and water damage, and furniture and files from flooded offices were set in the sun to dry. A few tanks had floated off their foundations, and crews began putting them back.

Major damage. But, as both plant rehabilitation chiefs knew even before the water left, there was major and unusual damage, too. The bottom 4 ft. of most process units, control buildings, and laboratories had been under water, and this is where

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E. B. Barnes, general manager of Dow's Texas Div., ran recovery operation.

just about all the motors, switchgear, relays, and instruments are.

Electrical damage, mostly to motors, has been the major factor in Dow's two-week struggle to get back on line. Dow has more than 10,000 motors in its Freeport plants, and some 5,500 of them have had to be pulled out, broken down, cleaned, and then rebuilt and tested. Many other motors are running without a thorough check, in the hope they will operate at least until the repair load has eased.

Dow knew right away that its motor repair job would be enormous. While the motors were still under water, it lined up space in commercial repair shops. "We've used every available electrical shop from Corpus Christi to New Orleans," says A. F. Shorkey, division manager of maintenance. "At one time we figure we had 60% of the shop space in Houston."

Its own repairman. Gradually, Dow was able to take over much of its own electrical repair work. All motors under 100 hp. are now being serviced by Dow itself, at the rate of 100 or more a day at each plant. Ovens of all sizes—normally used for research, annealing, or heating of process components—have been running night and day on the 12- to 24-hour job of baking out waterlogged motors.

For the big 1,500-hp. motors that are hard to move, welding machine generators were hooked up to run current through the wet coils.

Many delicate instruments were corroded by salt water; vendors and Dow's own instrument repair shops have been working around the clock to make repairs.

Some of the damage goes beyond repair. For example, a Burroughs 204 computer in the process control laboratory was a total loss, leading a Dow engineer to comment that the storm had given the

company "water on the brain." A specially designed Foxboro-Philbrick analog unit is also in questionable shape.

Until operations get back up to their pre-storm level, Dow can get along without some of its instrumentation. Some plants can be run manually at their limited level now.

IV. Ounce of prevention

Throughout its rehabilitation efforts, Dow has been collecting information to improve its precautions against future storms. Managers have been asked to suggest improvements and new procedures; these will be compiled into a more detailed checklist than the division has been using.

Dow also has filmed its damage and recovery efforts, and some of this footage may be made into a short movie to be shown to all managers and superintendents each year before the hurricane season.

Higher dikes. First attention, however, will be given to keeping water from getting into the plants again. The Ethyl-Dow flume was coffer-dammed off, and the hole that flooded Plant A was plugged with 5,000 yards of concrete and gravel. Dow may raise many of its own levees and build some new ones around Plant B, but officials of both Dow and Brazoria County are hoping that the county can obtain \$15-million in federal flood-control funds.

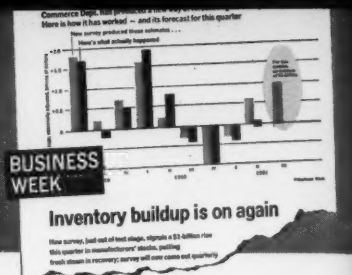
Keeping it dry. Dow realizes it would involve great expense to raise all process units, and especially their electrical gear, above the level of Carla's tides, and many of the division's management feel the money would be better spent on levees.

"You can spend a lot of money getting everything up on its private little island," one executive explains, "but you might get more for the money in working to keep the water out in the first place."

But Dow will probably design with at least one eye on the height of motors, instruments, relays, and switchgear. Encapsulated and epoxy-insulated motors stood up best in the water, and more of these will be used.

Offices, with their important files, took heavy flood damage, although many of the older two-story buildings survived the flooding, as did older-style control labs with elevated instrument panels.

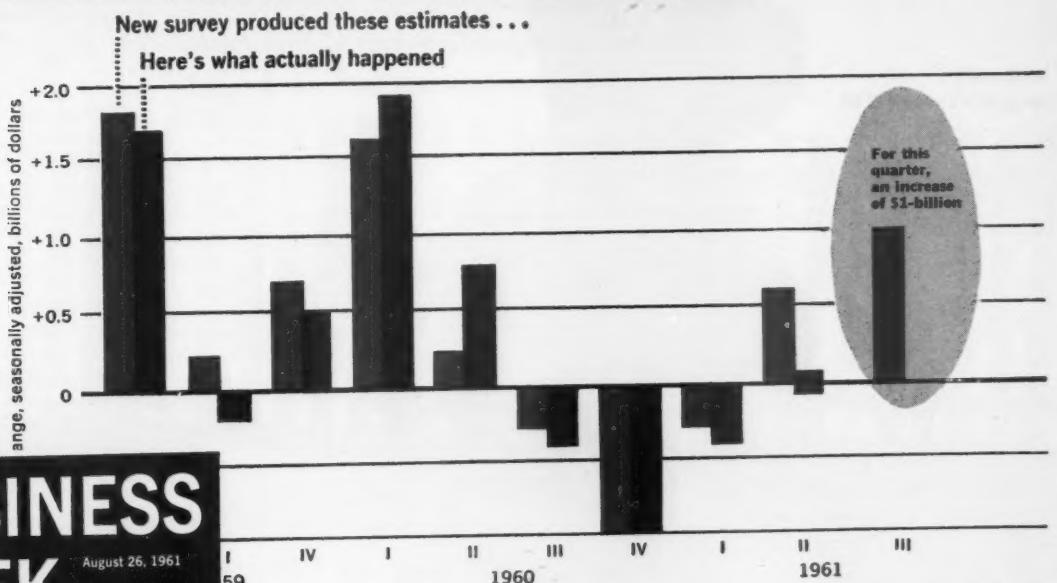
Dow also plans to have more portable emergency equipment available, such as pumps and portable gas- or diesel-powered generators for starting up power plants. Vehicles will be parked on levees or



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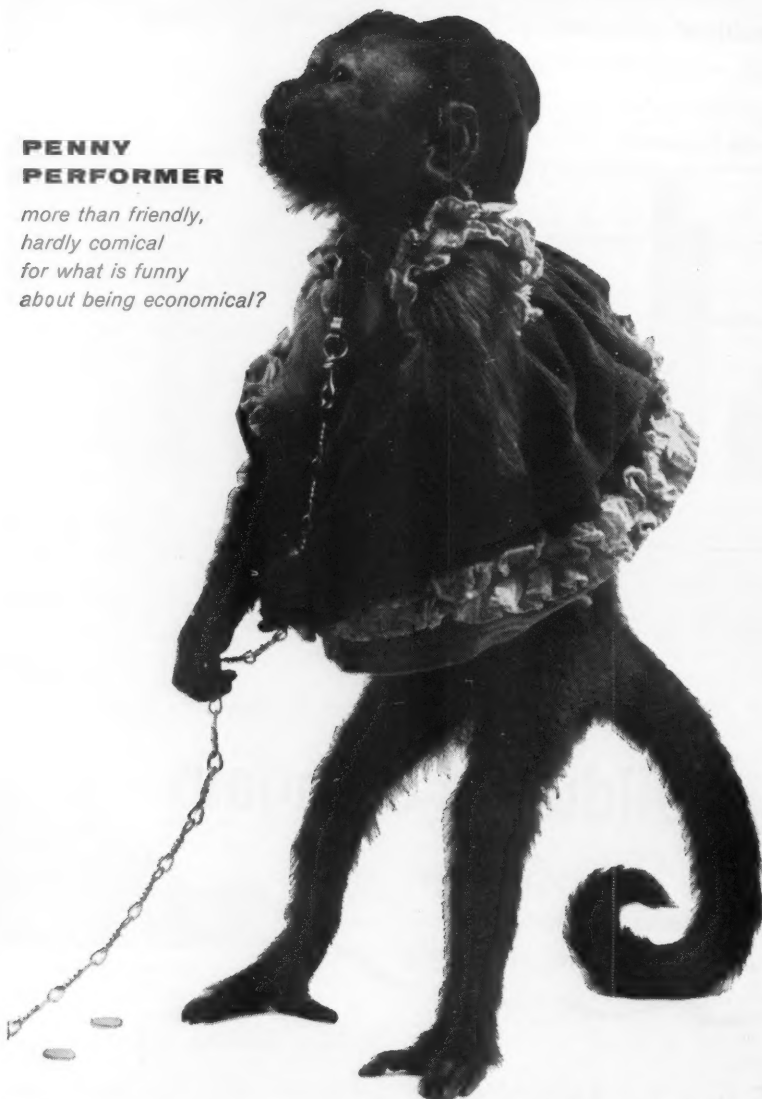
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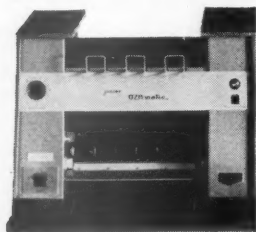
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other high ground—some trucks were moved into plants to get them out of Carla's rain and were later found in several feet of seawater.

People on hand. Dow also has some new ideas on personnel procedures during a storm. A larger headquarters group will be left in the plants, as well as other key people, such as a stockroom clerk so tools and other emergency equipment can be found faster. More preparations will be made for electrical damage—before a storm, Dow can alert its electricians to report back afterward as soon as possible.

Communications are getting a close look, and Dow will make sure it has a more flexible radio system between the two plant sites, and between Freeport and Houston.

The flooding that uprooted some tanks and set them adrift was not expected, but Dow knows it was lucky that none of the flotsam tore up lines and towers. In the future, everything will be tied down for water as well as wind. Some above-ground gas lines became buoyant in the flood, breaking welds, and Dow will anchor these better.

Dow also realizes it could have minimized salt corrosion by washing everything down sooner after the storm. The problem here was that a fresh water supply from the Brazos River was contaminated by seawater. Dow is trying to do something about this potential problem.

The tab. Dow has not attempted to add up its total damage bill as yet, but it still feels the initial estimate of \$1-million in non-productive labor costs during shutdown and another \$1-million in maintenance and cleanup costs may cover the final bill.

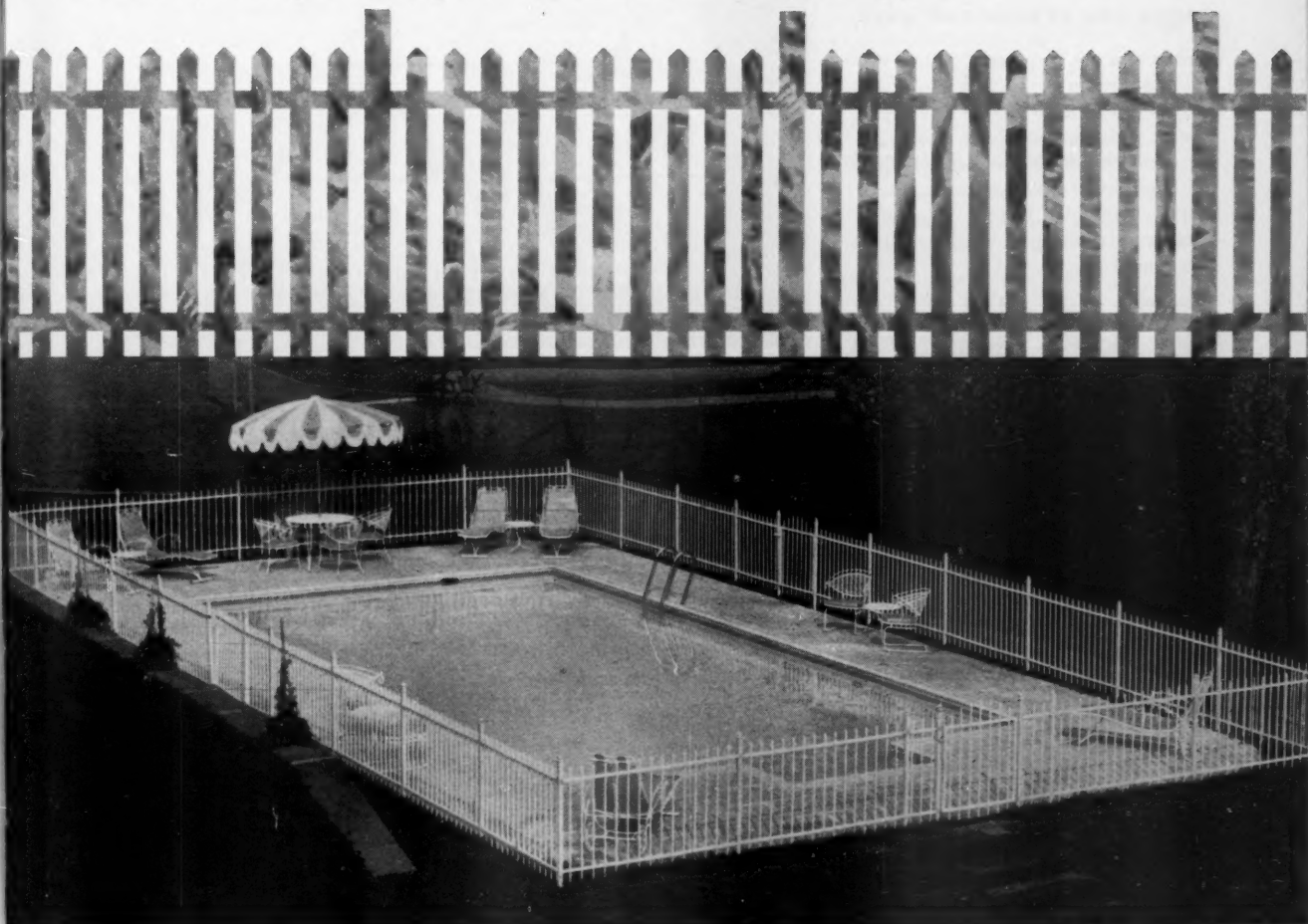
Overtime has been understandably high in the recovery program; also, at first, salaried supervisors were working 16-hour and 12-hour shifts. The shutdown will also cost Dow some freight penalties on product shipments from other plants—but the company points out that this can also happen in normal business periods.

For a long time, Dow was a lone wolf in the Freeport area, but lately it has been selling pieces of land to other companies for plant sites. It is encouraging others to locate there, to use its byproducts and to ease Dow's heavy proportion of both population and the labor market.

So the company is anxious that the hurricane damage reports will not discourage this program, and is advising such new neighbors as Nalco Chemical Co. on precautions it should take in building its alkyl lead plant. **End**



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It's made of galvanized steel, which means lasting protection from the punishing whims of Old Man Weather. Come rain, come snow, the zinc coating stays on guard for keeps. Galvanized steel also helps hold down the price of this fence because of its low initial cost and the ease with which it can be formed into desired shapes.

WEIRKOTE® IN PARTICULAR! The galvanized steel used in this new fence line is National Steel's Weirkote. To the inherent strength, economy and versatility of steel, Weirkote adds enduring zinc protection via the modern continuous process. As a result, Westmoreland president, Irving H. Kutcher, reports: "Weirkote comes through our fabricating operation without any harm whatsoever to its protective zinc coating. We never have to worry about chipping or peeling." Weirkote is manufactured by two National Steel Corporation divisions, Weirton Steel and Midwest Steel. Write Weirton Steel, Weirton, West Virginia, for further details.



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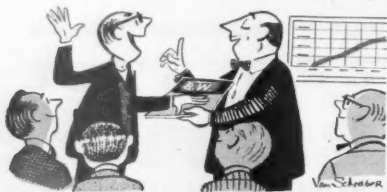
BACKSTAGE AT BUSINESS WEEK

Hands up. A prominent lecturer was holding forth in Houston recently, and according to the papers he said: "The trouble with America today is the people don't think for themselves! They run their lives with palmistry, horoscopes, Kiplinger Letters, The Wall Street Journal, Business Week, and The Economist!"



Well, we can't speak for the others. But among the helpless lot who let Business Week do all their thinking are 63,629 management subscribers in the 500 largest U.S. industrial corporations, and 15,919 more in the 50 largest banks, 50 largest utilities, 50 largest life insurance companies, 50 largest merchandising firms, and 50 largest transportation companies. Take it from us palmists, folks—the country is in good hands.

Heads up. Speaking of our subscribers, McGraw-Hill Research has come up with some pertinent job facts about the management men who rely on Business Week, every week. In surveying a representative sample of subscribers, they



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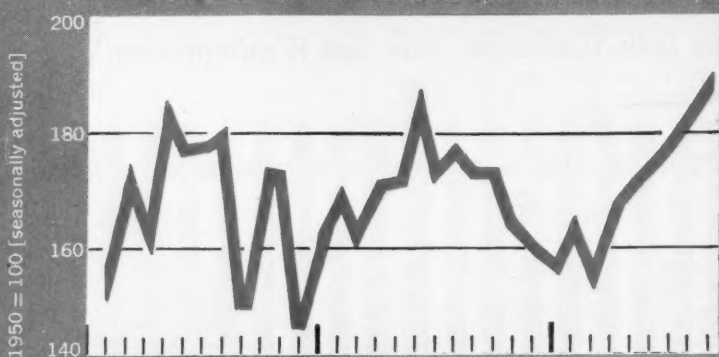
when you want to influence
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CHARTS OF THE WEEK

New orders for machinery [except electrical]



Data: McGraw-Hill Dept. of Economics

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Machinery orders hit new peak

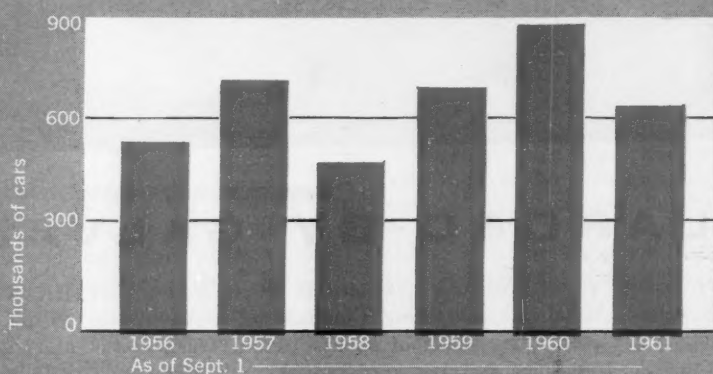
Industrial expansion and the need for cost-cutting equipment are helping to place a record volume of machinery orders onto manufacturers' books this year.

New orders for nonelectrical machinery, after mounting steadily since February, reached a new peak

in August, even after allowance for normal seasonal improvement.

Metalworking machinery is getting the biggest play, and leads all other types of equipment by a wide margin in yearly gains. During August, orders for metalworking equipment rose 60% over August, 1960.

New car stocks [domestic makes]



Data: Automotive News

© Business Week

Auto stocks in trim shape

Auto dealers moved into the crucial fall selling season this year with inventories in excellent shape. In fact, stocks at Sept. 1 stood at the lowest level for that date since 1958.

Only a handful of 1961 models were still unsold at the end of the month when the unveiling of 1962s began. This is a vast improvement

over last year when dealer supplies were about equally divided between new and old models.

Early phase-outs by auto manufacturers were a decided factor in the low inventory situation. But sales, too, have been moving along at a steady, orderly pace since July, thereby whittling stocks.

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The Administration learns the hard way

The windup of the first session of the 87th Congress (page 29) has been followed by a wave of critiques of the new Administration's performance. Like the notices that follow the opening of a Broadway play, the political criticisms usually tell you more about the critics than about the work under review.

So, if you go by the notices, the first New Frontier Congressional session was either a smash hit ("mastery of the legislative process"—Douglas, U. S. Senate), or a dreadful flop, either because it was wildly extravagant ("a record of peacetime spending"—Wall St. Journal) or cravenly, calculatingly timid ("callous expediency"—Americans for Democratic Action), or a rather mixed, somewhat amateur, but not hopeless performance ("some solid material for satisfaction"—Krock, N. Y. Times).

An objective summary of the notices would certainly be that the new Administration has not exactly overwhelmed the critics—leaving aside those who work for it. Even those who have considerable sympathy for the objectives the new Administration is seeking to achieve are left with grave reservations about its somewhat spotty performance. Indeed, anyone close to the Washington scene knows that within the Administration itself there is considerable self-questioning and dissatisfaction about the record to date.

Lost illusions

During the past eight months, the Democrats have suffered the loss of many an illusion that they brought with them from eight years in the wilderness. The list of expiring illusions is too long to chronicle, but near the top of that list belong:

- The illusion that making nice to neutrals would make neutrals make nice to you; that one died in Belgrade.

- The illusion that bold speeches and limited actions can stop Communist expansion. This formula failed to work in both Cuba and Laos.

- The illusion that the problems of national defense could be solved simply by spending more money in slightly different ways.

- The illusion that the nation—or the Congress—was longing to explore new frontiers of economic and social legislation; if this one hasn't entirely disappeared, it should surely have been badly wounded by the failure of the Congress to enact the Administration's proposals on aid to education, medical care for the aged, the closing of tax loopholes, "all-purpose" farm legislation, and others. None of these failures provoked groundswells of popular discontent.

This is not to say that the public was right on all counts, or to deny that in some instances the failure of Congress to act was dictated by a deadlock of pressure groups rather than by some deep, underlying wisdom. The nation does urgently need, for example, a better education bill than emerged from this session; the President must fight even harder for one next time.

The fact remains that the Congress (which is, if nothing else, extremely sensitive to public reactions) was highly selective in accepting the President's assessment of what the country wanted. It would seem to have demonstrated that the nation is still in a rather cautious, conservative mood—but at the same time in an extremely worried mood about the international situation.

Plus and minus

The President got everything he asked for—and more—in most areas affecting the national security and competition with the Russians: his military budget, his space program, even his Peace Corps and arms control agency. He didn't get everything he asked for on foreign aid, though he got the bulk of it, \$3.9-billion, including a moral commitment by Congress to long-term programs. In this, however, Congress was not being irresponsible but just plain dubious about more grandiose plans, worried about the entire shape of the foreign aid program—and bereft of an alternative to that program that did not run risks it is not yet willing to face.

Essentially, Congress accepted the Administration's decision to deal with the recession by greater spending rather than by tax cuts. It refused the White House proposals for changes in the tax law to provide incentives for capital investment; but this, again, was not attributable to pure balkiness. It resulted from the Administration's obstinacy in pushing a plan that was almost universally rejected by the very businesses it was supposed to benefit.

To the Administration's credit, it must be said that it was in there punching hard most of the time. It did not try to hide real issues and problems from the Congress or the people. The President has been grappling with a set of problems of agonizing difficulty. He has kept his nerve and spirit in spite of some rude blows, and continuous strain of the worst kind.

These are good omens for the future. The loss of illusions—for those whom the experience does not shatter—foreshadows the onset of maturity, a deepening of convictions, a more sober but tougher determination to make the best you can of what you've got.

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